Member Audit Bureau of Circulations

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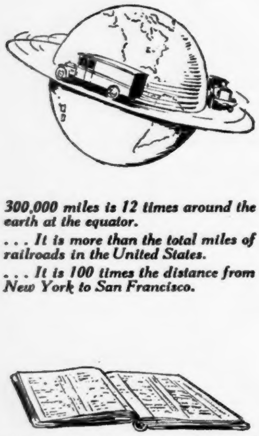
Owners' actual records of White mileages~



300,000 miles is 12 times around the earth at the equator.
. . . It is more than the total miles of railroads in the United States.
. . . It is 100 times the distance from New York to San Francisco.

72 Whites have run **500,000** miles and more each

384 have run between **300,000** and **500,000** miles each

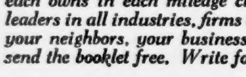
951 have run between **200,000** and **300,000** miles each

1658 have run between **150,000** and **200,000** miles each

4959 have run between **100,000** and **150,000** miles each

giving the astounding total~

8024 Whites have run **100,000** miles and more each



Nowhere does the meaning of 100,000 miles stand out more clearly and forcefully than on the balance sheet. Here White is a synonym for profit.

Our new "300,000 Miles and More" booklet is just out, with the names of all the owners and the number of Whites each owns in each mileage classification. You will find leaders in all industries, firms in your own line of business, your neighbors, your business associates. We will gladly send the booklet free. Write for it.

Before you buy a truck or a bus see the Whites at any of our 75 factory branches or 500 dealers. There is a White model to meet every transportation need.

Truck Chassis

Model 15	— ¾-Ton	$2,150
Model 20	— 2-Ton	2,950
Model 51	— 2½-Ton	3,750
Model 40A	— 3½-Ton	4,350
Model 52	— Heavy Duty	5,100

(Several types of power dumping bodies and hoists available)

Bus Chassis

Model 53	16 to 21 passengers	$4,250
Model 50-B	25 to 29 passengers	5,350

(All prices f. o. b. Cleveland)

WHITE
and WHITE

200,000 100,000 miles and more

No owner will operate a truck or bus long enough to run 100,000 miles ' ' unless those miles are money-earning miles

100,000 miles—White miles—mean more than an exceptionally long distance; more than an exceedingly durable, well-built, well-serviced motor truck or bus.

They mean unusual profits. They mean net earnings—in excess of all costs. They mean continued earnings long after the original cost has been written off the books.

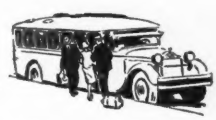
200,000 miles mean all that—doubled. 300,000 miles mean all that—trebled. So on . . . . Picture the earnings of the scores of Whites that have exceeded 500,000 miles. Then picture what these mileages would mean in your own business, knowing your average mileages for a week or a month or a year.

White 100,000-mile records are not isolated performances, not special achievements under especially favorable conditions. Whites, by the thousand, exceed 100,000 miles with a regularity that makes it standard performance. . . . . All models do it. They do it in all lines of business. They do it everywhere, under all conditions of load, road, weather and climate. They do it in fleets and in single installations.

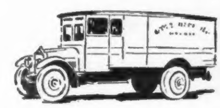
More than 8,000 Whites have run 100,000 miles and more. More than 1,400 have run 200,000 miles or more. More than 400 have exceeded 300,000 miles. The original cost of most of these 8,024 Whites has been written off the owners' books. . . . . And these mileages are actual owners' figures. They do not include many hundreds of additional Whites that have passed 100,000 miles, but whose owners have not sent us accurate records. Neither do they mirror the splendid earning records of thousands of Whites that have been serving dependably for ten, twelve, fourteen years, carrying their pay loads, without reaching the 100,000-mile mark.

This record, published annually, stands alone. No other truck manufacturer has ever published such a volume of evidence of dependability, long life and continuous earning power. No other truck manufacturer can.

In light delivery service 100,000 miles means millions of packages delivered at lowest cost. Whites build business and swell profits.



Some White Busses have run more than 500,000 miles. More than 200,000 miles for a White Bus is usual performance. And they are all money-earning miles.



Translate 100,000 miles into the terms of any sort of hauling—tons, yards, packages, cases or gallons—and the meaning is always money earned.

In service where loads are heavy and hauls are short it may take many years for a truck to run 100,000 miles. Hundreds of White Dump Trucks have passed this mark and are still earning.

THE WHITE COMPANY
CLEVELAND

TRUCKS

BUSSES

THE PUBLISHER'S PAGE

Announcement

IN order to correct a general misconception (which is quite natural) the publisher desires to announce that The Magazine of Wall Street and The Richard D. Wyckoff Analytical Staff, Inc., are two entirely separate and distinct organizations under two separate and distinct managements and are affiliated in no way whatever.

¶ Mr. Wyckoff has for the past six years devoted himself more and more to the interests of The Richard D. Wyckoff Analytical Staff, Inc. On the other hand, the management which built and made The Magazine of Wall Street the leading investment organization in the country today, is conducting this publication and The Investment and Business Forecast, as heretofore.

¶ The Richard D. Wyckoff Analytical Staff, Inc., stands on its own record, the same as the other services which advertise in The Magazine of Wall Street. And, it occupies the same position in regard to The Magazine of Wall Street as do all other financial services who are privileged to use our advertising columns.

C. G. Wyckoff

Publisher

The MAGAZINE of WALL STREET

PUBLISHED BY
C. G. WYCKOFF

MANAGING EDITOR
E. D. KING

INVESTMENT & BUSINESS TREND

Are Business Conditions Changing?—Money Rates Less Firm—Advantages of Convertible Bond in the Present Market—Four Promising Groups—The Market Prospect

VARIOUS indications at hand, covering business conditions during the past two weeks, reveal a rather sudden shift in sentiment from optimisim to at least a conservative attitude. The steel industry, which is still the most satisfactory barometer, reports a shrinkage in demand from various quarters and production is being curtailed though the reduction is as yet not large. The continuous downward trend in the price of building materials indicates both the extent to which building operations have fallen and the certainty that construction and building activities will not reverse their downward trend in the near future. Steel, of course, is being affected by this situation as well as by a drop in demand from the automotive and agricultural implement industries.

Prices for agricultural commodities, notably cotton, have continued to decline and are about 15% below those of a year ago. Wholesale prices are also sliding and though there have been recent increases in clothing, metals and fuels, these have not been sufficient to offset declines in agricultural and miscellaneous products. The general price level is now about 8% under that of last year this time. Cost of living has been slightly reduced, about 2%.

Large summer business is now accounted for in part by anticipation of normal autumn needs, and the present tendency toward lower manufacturing output may be regarded as a reflection of a certain degree of over-production. This situation is rendered perhaps more disturbing than it would ordinarily, owing to the impairment of purchasing power caused by the decline in farm products. A long-range forecast would be hazardous but from present indications, it appears that the industrial activity hoped for during the balance of the year will be somewhat less than expected, leaving the possibility open for a still further decline in the early part of next year. Still, it must be remembered that the present level of industrial and business activity is very high and that the volume might be reduced without in any way bringing on a condition of depression. Furthermore, reduction of output at this time should provide an opportunity for moving excess stocks during the next few months and thus removing what without such a development might become a source of real danger. It goes without saying that the future of business in this country next year will depend on whether or not business men realize the possibilities in the situation and prepare themselves for a more conservative policy than they have followed this year.

MONEY RATES

THE hardening tendency in money noted during August and September is disappearing. While rates have not declined, except call money, offerings have increased to the point where supply and demand seem about matched. Decline in security prices has reduced the amount of loans, the latest figure showing brokers' loans to be around 2.7 billions, a reduction of 70 millions. Probably, a further decline will be witnessed as a

result of the continued market weakness. Commercial paper is not in the same demand as recently though the general volume in circulation is still large. Owing to the drop in commodity and security prices, the outlook for lessened business activity and the smaller volume of new investment offerings, it is not likely that money rates will again increase this year. Rather, the outlook is for some softening. In this connection, the recent firming tendency among high-grade bonds is significant as it would seem to indicate that institutional buyers believe we have seen the crest of the higher money rate wave.

CONVERTIBLE BONDS

THE advantage of holding convertible bonds, rather than the stocks into which they are convertible, becomes apparent in a market such as the present. Examination of the recent market action of this type of bond indicates that while they have declined somewhat, in sympathy with the general market, the loss has not averaged more than a point or two. In other words, while in a rising stock market a convertible bond will sell in accordance with the price of the stock into which it is convertible, in a declining market it pays little attention to this feature, selling on a pure investment basis. It will be seen then that a convertible bond, bought at an attractive price, offers two advantages (1) an opportunity for profit, as its stock advances, and (2) a safeguard against material loss, in the event the market declines. Investors ought to recognize more than they do the unique advantages of sound convertible bonds.

FOUR PROMISING GROUPS

IT is significant that the breakdown of speculation for the rise in the stock market had comparatively little effect on four groups: petroleum, coal, sugar and textiles. None of these groups participated in the rising markets of the past two or three years. Hence, it is logical that they should have been more or less immune to the recent drastic market decline which involved principally those issues which have for long held the center of the speculative stage. As pointed out in another article in this issue, the long-range outlook for sound petroleum stocks is more favorable than at any time in their history. Of the coal securities, those representing anthracite properties are in excellent shape owing to the fact that they will be immune to labor difficulties for nearly five years, that there will, therefore, be no interruption in the normal and profitable demand for this fuel. Bituminous coal properties have profited from the British coal strike and will make a good showing at least in this year. Looking further ahead, conditions will depend on the relations between employers and miners but from present indications, the strife which has marked this industry for a number of years will not be in such prominence. Cotton textile manufacturers are in an unexpectedly good position owing to the great drop in prices for raw cotton. With cheaper materials available to the general public, buying is almost certain to be stimulated and this should give rise to much more active manufacturing conditions later on. Sugar securities likewise merit attention from a long range viewpoint as these companies have passed through the most unfavorable aspects of their difficulties. Next year should witness an improvement in price of raw sugar and therefore in earnings.

MARKET PROSPECT

RECENT action of the market shows professionals to be in complete control, with the public as heretofore standing on the side lines. After enjoying a technical rally from the recent extensive decline, the market has settled down to a waiting affair with transactions considerably reduced. Although there is a tendency to lay some stress on the elections as a market factor, it is to be doubted this will exercise permanent influence, unless either the Democrats or Republicans score a decided victory. Since, at this writing, it seems that the opposition party has the edge, it might be argued that if the election has any effect at all it will be bearish to the extent to which the Democratic party is victor. The more fundamental influence, however, is the downward trend of business which will probably culminate in a fairly substantial setback by Spring. With this prospect in view, it is difficult to see the possibility for an important market advance though technical rallies, of course, will occur from time to time. Among the market groups, the oils, sugars, coal and textile stocks, and some of the railway shares seem in the firmest position. Analysis of the general market, however, indicates that the majority of stocks are still too high in view of the probable change in business conditions. In the meantime, interest is slowly turning from stocks to bonds, the latter being favored by the prospect for lower money rates.

Monday, November 1, 1926.

High Tariff or Free Trade?

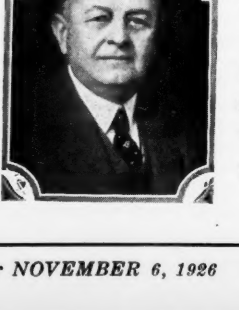
The Right Answer is Required if America is to Hold Her Trade Supremacy — Facts Revealed by The Magazine of Wall Street's Questionnaire

By
Theodore M. Knappen

With a Special Statement by

Sen. Oscar Underwood
of Alabama

SENATOR UNDERWOOD is voluntarily retiring from Congress next March although only 64, after 32 consecutive years of service in that body, first in the House and later in the Senate. No member of Congress exceeds him in his knowledge of tariffs and he is the chief expounder in the Senate of the low tariff point of view. He has recently returned from Europe, more convinced than ever that the future growth and prosperity of the United States depend upon the substitution of a competitive for a high protective tariff. Those who share his point of view will vote his lucid statement herewith irrefutable.



DOES a new trade dispensation impend for the United States?

Great wars produce economic convulsions of a fundamental nature. The greatest of wars can hardly be without proportional consequences. That it caused chaos in the world of trade, we all know, but not even yet do we clearly perceive what are to be its lasting effects.

Yet, rising like a new volcanic island-peak out of the smoke and fire of an upheaval of the earth's crust, stands out the momentous fact of the transformation of the United States from a considerable debtor in world trade to the most extensive creditor nation the world has ever known. If the great war had left all things else unchanged this reversal of the poles of international credit would have been enough on which to postulate a new commercial era. But it is only the greatest of many changes that have set new forces in motion. Among the others there is the enormous increase in the productive capacity of American industry, resulting largely from the stimulus the war strain gave to American inventive genius and industrial management, and the increase in production of foodstuffs and cotton, due to the same stimulus.

Compelled to take over much of the world's trade for five or six years, American manufacturers and merchants have again learned all the tricks and intricacies of international commerce. From social acceptability to packing boxes, credits and shipping, Americans have mastered the whole technique of foreign trade. The American flag and the American merchantman once again are commonly seen in every world port. A fondness and a propensity for foreign trade are observable. Many industries find it necessary to their further expansion or absorption of their present products. Twenty thousand international traders follow the plunging lead of the Department of Commerce into the field of exports of manufactured goods. Already the value of the manufactured goods that leave our ports exceeds the value of the agricultural products and raw materials. And yet the prosperity of our agriculture is dependent upon an enormous foreign outlet. At the same time the vacuum created by the outrush of credit to foreign lands exerts a great attraction upon imports.

A Vital Problem

What will be the effects of these powerful new trade tides upon the historic barrier of the American protective tariff? That is the practical aspect of the interrogation with which this article began. Merchants, bankers, economists, politicians and statesmen, at home and abroad, have been mulling over the answer. Will the barrier stand and the old self-sufficient economy of the United States persist, or will it fall and the nation spread out into a huge commercial imperialism that will encompass the world?

An outstanding American banker of world-wide affairs, fame and influence, tells the writer that American finance and American manufacturing have overleapt even the far-flung continental boundaries of the great republic, that they must inevitably go upon a world trade basis, and that anything that bars the new movement, whether protection for agriculture or worship of an obsolescent industrial tariff system, must yield. "We are become," he said, "the great industrial and lending nation of the world, and that fact will finally decide all our economic issues that impinge upon it."

A group of international bankers deeply concerned for the recovery of Europe has just startled the world with an appeal for the removal of trade barriers as the chief hope of restoration. Spoken to struggling Europe it was doubtless, if vaguely, meant also for the United States. Despite all disclaimers of a hint of criticism of our protective tariff system there looms in the background the conviction that if the argument for freer trade holds for Europe it also holds for the world. Certainly every financier who signed the petition knows that all Europe clamors and begs for access to the American market, and complains that international debts are neither endurable nor payable across the United States tariff line. It is of considerable significance that a member of the United States Tariff Commission, **Edward P. Costigan,**

How Business Votes on Tariff Tinkering

THE following summary of the definite answers to the questionnaire on the tariff condenses the questions as they were actually asked, being in that form longer and more explanatory. Many replies were general discussions instead of specific answers; many others were requests to be excused, indicating the explosive possibilities of going on record. A careful examination of this vote will bring out some interesting cross currents of opinion. For example, a comparison of answers to Questions 1, 4 and 5 indicates that a considerable proportion of those who favor high protection and oppose a lower tariff level think the latter would, nevertheless, operate to increase exports.

QUESTION	Yes	No	Doubtful, Neutral, Etc.
1. Is business as strong for high protection as ever?	39	24	2
2. Would you prefer a lower tariff level?	21	38	3
3. Would a lower tariff be depressive of trade?	39	12	4
Of wages?	36	13	5
4. Is a lower tariff essential to rapid export trade expansion?	20	28	6
5.* Can we import enough foreign goods to balance exports of our surplus production unless we lower duties?	25	23	7
6.* Will not the positions of agriculture and urban industry soon be reversed and conflicting, the former favoring and the latter opposing high tariffs?	15	28	10
7.* If such a conflict arises should first consideration be given to agriculture?	11	..	18
or to Industry?	7	..	..
8. Should the tariff law be amended, not as to general level, but to correct specific defects?	28	5	7
9. Free trade with Canada behind common exterior tariff?	22	24	1
10. Reciprocity treaty with Canada?	15	16	1
11. Abolish the tariff Commission?	18	29	3
12. Will the tariff be *the* issue in 1928?	21	15	10

*See text for clarification to these questions.

but recently returned from Europe, takes that view.

"Apparently the statement (of the international bankers) is to be taken," Mr. Costigan authorized the writer to quote him, "as one of the various signs that American business should prepare to adjust itself to a tariff realignment in the not distant future. That American business, given reasonable notice, is entirely able to adapt itself prosperously to any such reorganization, no one familiar with its productive capacity and efficiency can for a moment doubt.

"There is also reason to believe that American agriculture will find a decided stimulus in the new order of commerce and finance toward which the world is definitely moving."

"The new order of commerce and finance toward which the world is definitely moving?"

Senator Borah thundered "No!" when the question was put to him.

Senator Underwood, sage of the Democracy and philosophical low-tariff advocate, complacently dictated the compact, cogent, and altogether the most convincing affirmative answer that has yet been made in a few words, which appears herewith.

John H. Kirby, of Texas, perhaps the greatest of the South's industrialists, Democrat though he is, emphatically opposes Senator Underwood.

Through his "spokesman," President Coolidge was quick to challenge the international bankers and importers to pursue their free trade ideal, and take the consequences—but later revised his inference that the international bankers were shooting at the American system as well as the European maze of trade restrictions. Secretary Mellon, himself an international banker, limits freer trade to Europe, deserts the imperial financial company and declares that American protection is at once the bulwark of American capital, labor and agriculture and the hope of the world.

In an effort to ascertain whether American business men are facing toward a new relation, or believe, after all, that the old order will still persist, the writer addressed a covering letter and twelve questions bearing on the tariff problem, to 500 representative American business men, including a fair proportion of farmers and bankers.

Aware of the delicacy of the questions, in view of the high positions in the business world held by the gentlemen queried, it was stipulated that no respondent would be identifiably quoted without his permission; and the further precaution was taken of inviting even unsigned replies in order to insure privacy of views. The latter provision was especially desirable because about one-fifth of those queried were executive officers of national trade associations. Even under such conditions many failed to answer the questions, frequently writing to explain that their organizations, as such, were neutral with respect to the tariff, even though the presumption might be that their members were strongly in favor of protection. As was inevitable in making up a list representative of the business world, most of those who appear on it are Republicans in party and protective-tariff in policy. So far as the replies indicate, probably not more than a dozen of those who stood up to be counted are Democrats or low-tariff men. It is important to keep the bias of the witnesses in mind in studying their answers. About a hundred replies were received, and many of the interrogated took the time and trouble to express their views elaborately. Not all of the replies lend themselves to analysis, question by question, but so far as they do the "score" will be found in the tabulation herewith.

That 39 out of 65 replying to the inquiry: "Is the American business world as strongly for the high-protective tariff system as ever?" should answer in the affirmative is not surprising in view of their affiliations and environment. It is, rather, surprising that 24 should judge that the attitude of business toward a high-protective tariff is changing; some of them manifestly taking that view with reluctance because of their prejudice in favor of the protective system. A number of replies significantly drew a distinction between banking and business in order to explain that while industry is as devoted to high tariffs as ever the opinion of the bankers is changing.

Gulf Between Bankers and Industry

Examining this distinction in the light of answers to other questions, it is obvious that many of the questioned feel that a gulf is forming between industry and the great bankers. The opinion is more or less definitely stated that the latter are becoming internationalists, while industry remains strongly nationalistic and convinced that nothing has happened in finance or commerce that need prevent the United States from following its historic policy of high protection. Most of the farmer answers are rampant protectionists, notwithstanding the fact that the agrarian agitation for relief legislation proceeds from the assumption that without some equalizing measure, the tariff as a whole

is harmful to exporting agricultural industries. Their vigorous rejection of proposals of free trade or reciprocity with Canada shows that farmers are beginning to attach a high value to duties on agricultural products, which formerly were unimportant because of American self-containment in farm products of the temperate zone. In short wheat crop years the farmers are beginning to get a taste of high-tariff—and they like it; the tariffs on dairy products, wool, oils, fruits, nuts, etc., are beginning to spread the mantle of protection over some other groups of agriculturists.

Farmers for Protective Duties on Farm Products

Every farmer questioned voted against either free trade or reciprocity with Canada, but the vote as a whole was close on these two questions. Many high protectionists evidently see no objection to the extension of the American trade system to include the whole of English-speaking America. On free trade with Canada (behind a common external tariff) the vote stood 22 for and 24 against, while on reciprocity it stood 15 for and 16 against. Several of the replies indicated that the idea of continental free trade was new to their makers; but evidently it has a strong appeal as a means of extending the home market to meet the requirements of expanding manufacturing capacity—and yet without letting down the sacred tariff walls.

It was the apparent change in the farmers' attitude, as well as the increasing interest of manufacturers in foreign markets, that gave rise to Question 7. Answers reveal a consciousness of an increasing demand for protective duties on agricultural products, but for the most part both manufacturers and farmers represented in the questionnaire hasten to explain that there need be no conflict between the two groups. The former say that American industry can take care of itself without lower duties as a means of stimulating international exchange, and is glad to see the farmer get a taste of direct tariff benefit; the latter evidently envisage an approaching period when they will have a home market that will absorb more than they can give it. It is significant of how farmer-minded American business is that only 7 out of 36 persons answering Question 7 believe that industry should be preferred over agriculture, if their tariff interests should conflict; ten give the preference to agriculture, and 18 think the question academic or imply that there will be no occasion to choose because, implicitly, the protective tariff is for both and must be so administered.

Tariff An Ineffective Device

In sharp contrast to unanimity of opinion among farmers and manufacturers as to the excellences of the protective tariff system is the skepticism of Charles J. Brand, formerly economic advisor to the Secretary of Agriculture, and chief of the Bureau of Markets of that department; now executive secretary of the National Fertilizer Association, who writes:

"That the tariff is at least an ineffective device for the

(*Please turn to page* 54)

Why Tariff Reduction Would Be Beneficial

By OSCAR W. UNDERWOOD, *U. S. Senator from Alabama*

THE average man engaged in industrial life is a protectionist—but doesn't known why. The American business man knows more about his own business and less about the other fellow's business than any other trader in the world.

Consequently, it leaves me cold when anyone suggests that American industrialists are really cogitating on the possible advantages to them of lower tariffs. I do not expect them to originate or promote tariff reform. Rather will they, as a group, protest to the last against their own good.

And yet, beyond a doubt, lower tariffs are now peculiarly demanded for the common good and even for that of our protected manufacturers, speaking broadly. I am not a free trader, and never have been. I have long advocated what I call a competitive tariff, that is, a tariff low enough to permit a reasonable volume of imports. I do not believe in laying imposts for the purpose of fostering certain industries, but imported goods afford a convenient method of levying a portion of the taxes the government needs to support its activities. Free trade provides no revenue at the ports, and tariffs may be so high as to have the same fiscal effect. Also, tariffs may be at such a point as to yield handsome revenues and yet be exorbitant in a commercial sense. Take the duty on sugar, as an illustration. Within limits the people will consume enormous amounts of sugar from foreign sources, since our home production is less than half the requirements, and pay a too heavy tariff tax,—a tax that is really levied on the whole amount consumed though the public treasury benefits only from the imported quantity.

When we revised the tariff in 1913, we were a debtor nation,—paying our creditors with an excess of exports,—and the schedules were framed with a view to revenue and the beneficial effects of a degree of foreign competition in our markets. Lower duties had then little or no effect on our exports.

Now the situation is entirely changed, because we have become not only a creditor nation but the creditor nation. We must import if we are to export.

There never was a creditor nation that maintained its foreign trade unless it opened its doors to imports. That is history; it is practically certain that we cannot be an exception.

It is the relation to Europe brought about by our new status as creditor that irresistibly makes for a change in our tariff system. Europe no longer has credits here, nor gold, with which to pay for our goods. On the other hand, we export 50 to 60% of our raw cotton, 25% of our wheat and 25 to 30% of our meat—all, mainly, to Europe. This outlet is necessary, and, moreover, the price paid for the surplus determines the price of all.

If the price of the surplus in Europe is destroyed, the American farmer is destroyed. I say in Europe because Europe has the spindles and the trained labor to manufacture cotton; they can't be moved to some other part of the world; and Asia and South America do not consume our wheat and meat. We sell our surplus of those three commodities,—not to mention others,—in Europe, or we do not sell them at all. Since the war, Europe has been able to meet the adverse balance of trade with us by means of our private loans.

It has borrowed from us to pay us. That is over.

Nobody in America with any sense is going to buy any more European paper, in view of present conditions over there; at least, not after a year.

Europe must come back in production and exportation if trade is to continue, for without gold or credit she can pay us only in the product of her labor, in goods. Our tariffs are practically prohibitive of European goods—impassable barriers.

If this continues, it will inevitably spell disaster to our fundamental agricultural industry; and that, in turn, spells disaster to our manufacturing industries. After all, the great market is the home market, and, if that suffers, manufacturing is depressed. The largest factor in the home market is the agricultural influence, directly or indirectly.

Therefore, the time has come when we must rewrite our tariff schedules in reasonably low terms for the products of Europe. The logic and necessity of the situation are inescapable. Our surplus of manufacturing capacity points to the necessity of freer reciprocal trade relations with the world, but the manufacturers are not yet hard pressed for markets. It is not immediately a critical conjunction for them; but for agriculture, tariff revision is at this moment a matter of life and death; and, consequently, necessary to the economic well-being of the country as a whole.

Security Bargains Now Available To Investors

Investors Seeking Genuine Values in Stocks Have Best Opportunity Since Last Spring

By
E. D. KING

WHEN the history of the stock market of 1926 up to the end of October is written, it will be recorded that there were four distinct phases, from two to three months each. The first was a violent rise in January, extending almost to the end of February. The second was one of the most spectacular of all market declines, ending in the early part of April. The third phase was a great advance in a restricted number of issues, especially railroad stocks, with a moderate advance in the general body extending until August. The last phase, not yet ended, is a more or less general decline, not so acute perhaps as the March break but just as extensive as affecting a considerable number of issues.

Superficially, it would appear that honors were even between the intermediate market advances and declines, there having been two of each since the beginning of the year. Examining the situation from the broadest viewpoint, however, we find that at least half the listed stocks thus far this year have been in a declining market and that of the balance not more than a half have been able to retain really substantial gains.

A Distributive Period

In other words, as the writer has consistently maintained, this year has represented a period of distribution of those securities which steadily moved up during the bull market of 1924-25. The distribution has been and is of two distinct types. One represents the liquidation of seasoned issues which had sold at prices so far above their average price of the past few years as to invite taking of large profits by fortunate holders, including those powerful banking and financial interests mainly responsible for their advance. Selling from these sources, of course, has been facilitated by the lowering of tax rates on large income.

The second type of distribution is more obvious and represents liquidation of the newer issues which had been listed at inflated prices when introduced to the Stock Exchange, and which are now being supported only in half-hearted fashion by those who were responsible for having brought them out.

The great speculative fever which swept over the American public since the election of Mr. Coolidge in November of 1924 and which reached its crest in the early part of this year, has receded and is still receding. Enthusiasm for speculation has been dampened not only in securities but in real estate practically throughout the country. The public is taking a more sober view of the outlook for profits.

This accounts for the fact that in the material market advance which took place in May-July of this year, public participation was on an extremely small scale except in a relatively few stocks, the others being lifted by the simple process of manipulation. It seems that the public, disillusioned by the extremely heavy losses it was compelled to take last Spring, had decided to wait until the prices of stocks had retreated to a reasonably attractive basis. The bulk of the activity of trading on the New York Stock Exchange now represents purely professional dealings and the alternate advances and declines rob such fluctuations of any real significance. In the meantime, the pools which had attempted to attract a public following have failed in their endeavor and are left holding the bag. Thus, the public has turned the tables on the professionals. The extent of the decline may be appreciated from the following analysis: Of the 435 separate stocks traded in Saturday, October 23, not less than 203 were selling at practically their lowest prices of the year; of the balance, there were not more than a dozen selling at their highest prices, the balance being about midway between their high and low prices of the year. Our investigation clearly indicates the distributive character of the market.

The Time to Buy?

Since the average of stocks is now closer to the low of the year than it is to the high (please see THE MAGAZINE OF WALL STREET'S common stock index) and innumerable individual issues have lost almost all of their gains in the last rise, the investor logically asks himself whether stocks have not finally come down to a point which would warrant purchase. On the theory that one should become more bullish as stocks decline, the answer would probably be affirmative or, at least it could be reasonably stated that the opportunity to buy has become more favorable than it has been since last Spring. But this hypothesis must be subject to close scrutiny.

Stocks have declined for two reasons: (1) They were intrinsically too high, out of relation with true earning power and real assets, or (2) they were sympathetically affected by general selling pressure though, on the basis of investment merit, they were worth higher prices.

Group 1 should be left alone. Stocks of this class, though selling at much lower prices than earlier this year are still inflated in many cases. Price comparisons offer no true criterion. It is a mistake to argue that because XYZ sold a few months ago at 80 and is now 30, it is now worth buying. The stock may have been brazenly manipulated to 80. Its real value may be 10 or even less.

It is one of the commonest errors to buy stocks merely because they have had a wide decline. The eager investor, excited by the cheaper price now prevailing, will be taking his evening newspaper home and scan the stock list for "bargains." He runs his eye down the high and low prices for the year, making some quick comparisons. Most likely, he will make up a list of those which showed the largest declines. It will delight him to find, for example, a stock such as Ward Baking "B." This stock is now obtainable at only $25 a share whereas it sold as high as 85 early this year. Here, argues our "investor" is a real bargain.

Just a little down the list, he might have found Westinghouse Electric & Manufacturing common. This stock is selling at 67 compared with the year's high of 79. For a reason not hard to find, our investor probably would have selected Ward Baking "B" as being a greater bargain than Westinghouse. His reason would be that the price comparison is clearly in favor of the baking stock. Having had the furthest drop, it has room for the greatest recovery. Such is the reasoning of the inexperienced investor.

If he had troubled to investigate, however, he would have found that Ward Baking "B" by no conceivable stretch of the imagination was ever worth 85 and that it is one of Wall Street's mysteries how it ever got there. He would have found that even a price of 25 represents a fairly liberal valuation. In Westinghouse, on the other hand, he would have found a seasoned issue of very definite value in excess of its current price, a stock with a long dividend record and whose earnings warrant continuation of its attractive $4 dividend rate, and, perhaps, even more.

These two stocks represent both of the two types which have declined. One represents the thoroughly inflated issue which has deservedly sunk to low levels. The second represents a staunch, time-tried issue, which, held over a period, is almost certain to prove a satisfactory holding.

Therefore, in looking about for bargains in this declining market, let the investor shun those issues which have had the greatest declines for the great majority of these may be high even at the present prices. It must be remembered that in rising stock markets, many issues sell at fictitious values. Hence, these former high prices are only misleading when making comparisons in a declining market.

The investor, however, has great opportunities presented to him in falling stock markets, provided he knows where to look for them. If he will concentrate on solid, seasoned investments, a market decline may prove a decided advantage to him, provided he has prepared for such opportunities by keeping a cash reserve for just such an occasion, for at such times the investor is enabled to secure perfectly sound issues, not only at prices considerably under their highs (for all issues suffer in a falling market), but at prices which will return an adequate yield while they are being carried.

The accompanying table gives a list of the securities which the author would be willing to recommend at this time for serious minded investors who have vision and the patience to hold in the event of a further sinking spell in the market. It will be noticed without exception that these issues represent the strongest corporations in the United States and that their dividend return is satisfactory.

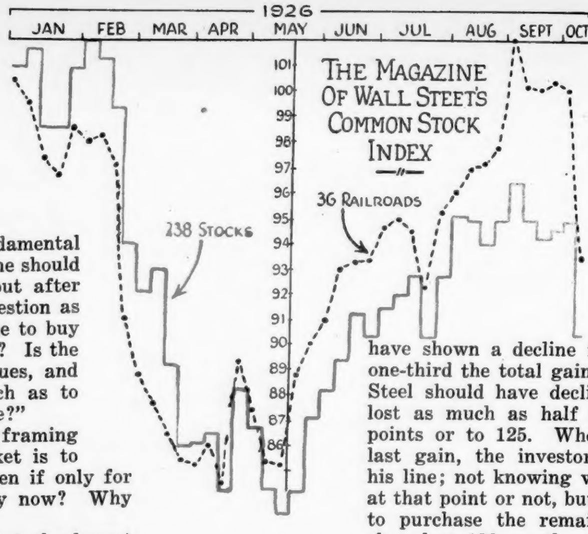
The criterion adopted has been one solely of value, based in turn on the real earning power of the company, its current asset position, its surplus, its position in the industry, the character of its management and its banking sponsor-

17 Seasoned Common Stocks for Long-Term Appreciation

(NOTE: These stocks are not recommended so much for near as for long-term possibilities. In view of the unsettlement in the market, however, it is advised that prospective purchasers limit their investments in the stocks recommended to only half the amount they intend to purchase, reserving the balance of their available funds to take advantage of any further market recessions. See text for further explanation.)

Name	$ Earned per Share, 1925	Recent Price	Div ($)	Yield (%)	High 1926	Low 1926	Range at which purchase of stock could be considered
Allis Chalmers	8.78†	86	6	7.0	94	79	80-85
Amer. Car & Fdry	6.67	98	6	6.1	114	92	90-95
American Metal	5.06	45	4	8.9	57	45	45
Amer. Steel Fdrys	4.48†	42	3	7.1	47	40	40-42
Amer. Sugar Ref	3.37†	75	5	6.7	82	66	70-75
Baltimore & Ohio	12.14†	102	6	5.9	109	84	95-100
Chic. & North West	6.32†	75	4	5.3	83	66	70-75
Elec. Storage Batt.	9.48†	84	*5	6.0	94	71	80-85
Great Northern Pfd	8.61†	77	5	6.5	80	69	70-75
Gulf, Mo. & North Pfd	11.37†	106	6	5.7	109	95	100-105
Kelsey Wheel	11.09†	84	6	7.1	126	84	75-85
Northern Pacific	7.24†	77	5	6.5	82	66	70-75
Peoples Gas	11.54†	121	8	6.7	130	117	115-120
Reading	10.25†	87	4	4.6	100	79	80-85
Union Carbide	7.53†	92	5	5.4	94	78	85-90
Westinghouse E. & M.	‡5.95†	68	4	5.9	79	65	60-65
Youngstown S. & T.	12.38†	85	4	4.7	95	69	75-80

* Not including extras. ‡ Year ended March 31, 1926. † Earnings for 1926 practically certain to show increase over 1925, especially in the case of the railroads.



ship; in short, all those factors which make for real values in a stock. The price factor has been considered only in relation to all the others and not, as the amateur investor would do it, as an isolated phenomenon.

The investor may now say "I agree that your fundamental viewpoint is correct and that one should seek seasoned, sound stocks but after all, have you answered my question as to whether this is the best time to buy these stocks which you suggest? Is the technical position of these issues, and that of the market itself, such as to warrant purchase at this time?"

The investor is logical in framing such a question. If the market is to decline, as it probably will, even if only for a short time further, why buy now? Why not wait?

If it were possible to forecast the lowest prices at which a stock is likely to sell, it would be a very simple matter to buy securities. Unfortunately, no one has ever discovered this secret. Hence, the technical position of a stock must always remain to a certain extent more or less an unknown quantity. Values, however, are definite and real, and an experienced investor should be able to tell roughly at which price a stock may be cheap and at which price it is dear, even though he may miss the top or the bottom by a few points.

The investor, therefore, will find it of greatest importance to ascertain whether a stock is selling above or below value and to what degree. So far as possible, to be sure, he should determine its immediate market position, but if he is looking some distance ahead, as he should, if he regards the stock purely from an investment viewpoint, the actual technical position so far as he has been able to ascertain will be of less importance to him than the question of value. To the speculator, on the other hand, the technical position is of very great importance. We make this point because it is important for the investor to know whether he is buying for long-range profit or whether he is after quick profits. The quicker he wants his profit, the more certain he must be of the technical position. The long-range investor, however, need not emphasize this factor.

Hence, though the stocks which the author has recommended may sell at somewhat lower levels and thus be picked up later at even greater advantage, the fact that they are recommended for long-term investment indicates that in this particular case, the technical position is not considered as important as the question of value.

Advantage of Averaging

Recognizing, however, that the general market trend may be lower for some time and that the issues recommended may be sympathetically affected, it would be the part of the prudent investor not to invest all his cash at this time but commence to take a position. In other words, he might distribute his investments in a few of the stocks recommended, reserving enough capital to purchase more of the same issues in the event of a further decline. This is called "averaging" but if the issue selected is already selling at "bargain" prices and is therefore highly attractive, and if it represents a truly seasoned and sound issue, the risk involved is not especially great, since, after all, the stock has already had a decline and part of the risk possibilities have therefore already been eliminated.

An illustration will tend to make this clearer.

Assume the investor had made it his policy to buy such a sound stock as U. S. Steel, on sizeable reactions. That is to say, he would wait until Steel common had lost from one-third to one-half its recent advance. In 1925, the high price of Steel was 139 and the low 112, the high price having been reached toward the end of the year. The investor, after Steel reached 139, should have waited for the inevitable intermediate reaction. Of course, at 139, he could not know that the stock would decline. It might instead have continued its advance but in that case, the investor should have continued to wait as the reaction was bound to come sooner or later. Actually, Steel declined from 139 to 117 in the Spring of this year. It had previously advanced from 112 to 139, a gain of 27 points. With Steel acting true to form, it should have shown a decline from this advance of at least one-third the total gain, or 9 points. That is to say, Steel should have declined at least until 130. If it lost as much as half its gain, it would decline 14 points or to 125. When Steel had lost one-half its last gain, the investor might have purchased half his line; not knowing whether the decline would stop at that point or not, but waiting for a further decline to purchase the remainder. Suppose he had purchased at 130, on the reaction, and then again averaged at, say, 122. His average cost would have been 126. Steel as a matter of fact dropped on this move to 117, which would have netted a loss of 9 points to the buyer, but since the stock already had a very severe reaction, the risk of a further loss was reduced. Actually, Steel then recovered from 117 and advanced almost without stopping, to 159, a gain of 42 points.

At this point, the investor might have waited for a reaction before buying. Suppose he counted on a drop of one-third the gain; this would have been 14 points, bringing Steel down to 145. Suppose, then the investor had purchased only half his line and waited for a further reaction before buying the rest. Steel now declined to 135 and at that point the investor could have averaged, giving him an average purchase price of 140.

With Steel at 135, off 24 points from the top, the danger of a further drop was removed in large part and the investor would have been entitled to purchase. But this operation is sound only in the highest grade common stocks, those with a relatively steady market and with the greatest investment merit. It would be foolhardy and dangerous to undertake such a program in the case of highly speculative and volatile issues.

Logical Only in Sound Stocks

This is the great advantage of waiting for a general market decline in buying sound securities, for at such a time they are obtainable on a fairly safe basis. Of course, if the investor insists on averaging in stocks which are erratic and which have wide fluctuations, he takes a definite risk. If, on the other hand, he confines himself to the staid investment types of issues and if he waits for them to decline first before he buys them, his risk is greatly lessened.

After all, what the general market may or may not do is not of particular importance for the average investor. The latter does not buy the market, he buys specific securities. If he has used the proper basis of comparison, his problem ends with the specific securities purchased. If they have been purchased at reasonable prices, the most that can happen to him in a declining market is that he may have to carry his stocks a bit longer than he anticipated.

Finally, the decline in good stocks has been sufficiently great to warrant careful, discriminating purchases. This is not to be taken as an endorsement of the position of the general market as a whole nor should it be taken as a recommendation to buy speculative common stocks. Some of the latter may be worth picking up on further reactions but when it is remembered that this is a distributive market, the careful investor will find it to his greatest advantage to confine himself to those stocks which are so tried and sound that they can only be temporarily affected by any market weakness. We believe those listed in the accompanying table fill these requirements.

The Pacific Coast Comes of Age

Remarkable Record of Expansion—California's Place in the Sun—Building of Branch Factories on the Coast

By GEORGE P. WEST

WHETHER our post-war prosperity ends in another of the recurrent depressions that Mr. Hoover and his friends are trying to prevent, or in a sort of permanent economic millenium for the American people, one thing is certain,—the Pacific Coast will never be the same. Surplus of funds and a great influx of new population have accomplished more for its economic and cultural development in the years since 1918 than had been accomplished in any twenty years before. And the year 1926 finds it a lusty young giant, feeling its oats as never before and talking of achievements for the future that will dwarf those of the past.

California in particular is incorrigible as a land of tall stories with a habit of coming true. Every writer or investigator who visits it carries warnings from his editor, and they are reinforced by his own skeptical determination not to be taken in by the celebrated boosters there at large. He goes poking about looking for soft spots, prying into corners, lifting lids, cross-examining witnesses, being as conscientiously as possible from Missouri. And it gets him nowhere.

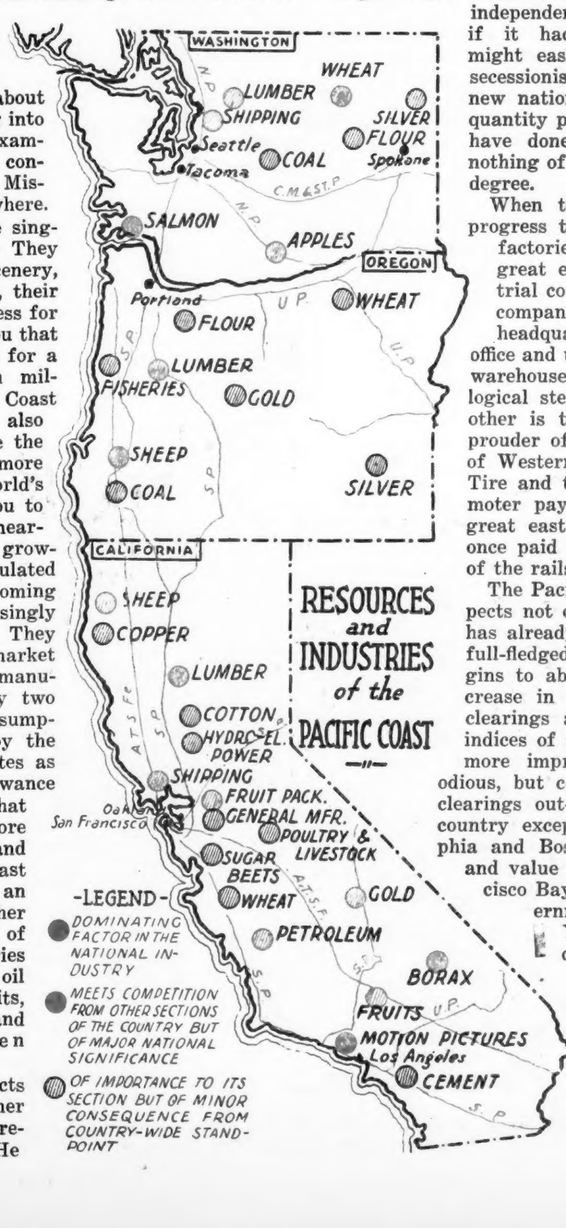
Just now the boosters are singing a new song on the Pacific. They take their climate and scenery, their lumber and petroleum, their fruit and fisheries, more or less for granted, merely reminding you that these items already account for a population approaching ten millions for the three Pacific Coast states. They remind you also that these ten millions have the money to buy, and do buy, more than their share of the world's goods, and then they ask you to consider in addition their nearness to the Orient and their growing trade with densely populated regions in the process of becoming industrialized and increasingly hungry for American goods. They point out that their home market alone shows a deficiency in manufactured products of nearly two billions in value under consumption, measuring that last by the average for the United States as a whole and making no allowance for the well-advertised fact that dwellers on the Coast buy more automobiles and golf balls and what-not than their cousins east of the Rockies. Make such an allowance, and consider further that more than one-fourth of the output of Coast industries is accounted for by lumber, oil and canned and preserved fruits, largely consumed elsewhere, and the deficiency looms even greater.

Having impressed these facts upon you, your Far Westerner is ready for the swelling refrain of his new song. He sees the immediate future in terms of an industrial development that shall make the Coast states economically self-sufficient and independent of the East.

The swing into an industrial era is in fact already under way. Rapid increase in population has provided an adequate market in the same decade that has brought a marked rise in transcontinental freight rates.

National advertising increasingly carries a line in small type announcing a differential for west of Denver, and "F. O. B. Detroit" which gives the Pacific Coast orchardist a rather poor idea of what he must pay for his Ford or his Chevrolet, his Studebaker or his Buick.

Now, if all this had happened a generation ago, we might have seen the beginnings of a swaggering independence movement on the Coast, and if it had happened a century ago it might easily have planted the seeds of a secessionist movement ensuing finally in a new nation. And it is significant of what quantity production and national advertising have done to integrate our country that nothing of the sort is implied in the slightest degree.



When the Coast talks of its industrial progress today it talks in terms of branch factories already built or projected by the great eastern and middle western industrial corporations. For many years these companies have maintained Pacific Coast headquarters in San Francisco, with an office and usually a warehouse. From branch warehouse to branch factory is an easy and logical step, and one big concern after another is taking it. And the Far West is prouder of nothing than the big new plants of Western Electric, Ford Motor, Goodyear Tire and the rest. Today the western promoter pays court to the executives of our great eastern industrial corporations as he once paid court to the Hills and Harrimans of the rails.

The Pacific Coast bases its industrial prospects not on hope and faith, but on what it has already achieved. It feels its oats as a full-fledged, grown-up community, and it begins to abate the old-time ballyhoo and increase in dignity as population and bank clearings and foreign trade and the other indices of a solid economic structure become more impressive each year. Figures are odious, but consider that San Francisco bank clearings out-rank those of every city in the country except New York, Chicago, Philadelphia and Boston. Consider that the tonnage and value of cargoes handled on San Francisco Bay is reported by the Federal Government as second only to that of New York, while foreign trade has increased 70% in the past five years.

And there is the matter of an independent money market represented by the San Francisco Stock and Bond Exchange, which in the year ending September 30, 1926, tied Chicago for second place with total sales of $426,760,907, an increase of $183,000,000 in a

single year. Issues up to $15,000,000 are habitually floated locally and disposed of without difficulty. San Francisco has the eighth largest bank in the country, and its branch banking systems are building up reservoirs of capital increasingly adequate for whatever demands the future may bring.

Or consider the perfectly amazing growth of Los Angeles. That half a million people should flow into southern California within five years is not so remarkable as that they should be absorbed with nothing resembling a collapse or even a depression. Building permits for Los Angeles reached a figure of $200,133,000 for the year 1923, and when the boom had receded a year later the city was still building at a rate of $150,156,000 a year and real estate values in the down-town section had steadily increased. Today the city is building at the rate of about $8,000,000 a month, with a rather sharp decline for the first eight months of 1926 under previous years but in line with a curve of increase that would satisfy any other city.

San Francisco is, in fact, the only large Pacific Coast city that has not yet felt the recession in new construction. Instead the permit figures for the first eight months of 1926 show a 20% increase over those of 1925, and as I write an ambitious program of home-building is announced. Just how seriously the recession in building which is country-wide today will affect the Coast states is hard to say. Lumber men are complaining that prices are too low and that their profits on finished stuff in particular are unsatisfactory. In Los Angeles the falling off in construction has been accompanied by an increase in retail trade and other indices of prosperity, but whether this will last is another question. Certainly the phenomenal building of recent years has been a powerful stimulant, on the Coast as elsewhere. Your hopeful westerner refuses to see it as merely catching up with the war shortage. He reminds you that the acreage of orchards and vineyards in California has increased two-thirds since 1919, that California jumped from sixth to second place last year in the value of its agricultural products, and that foreign trade has increased 70% in five years. And he sees no reason why building should not continue to go forward.

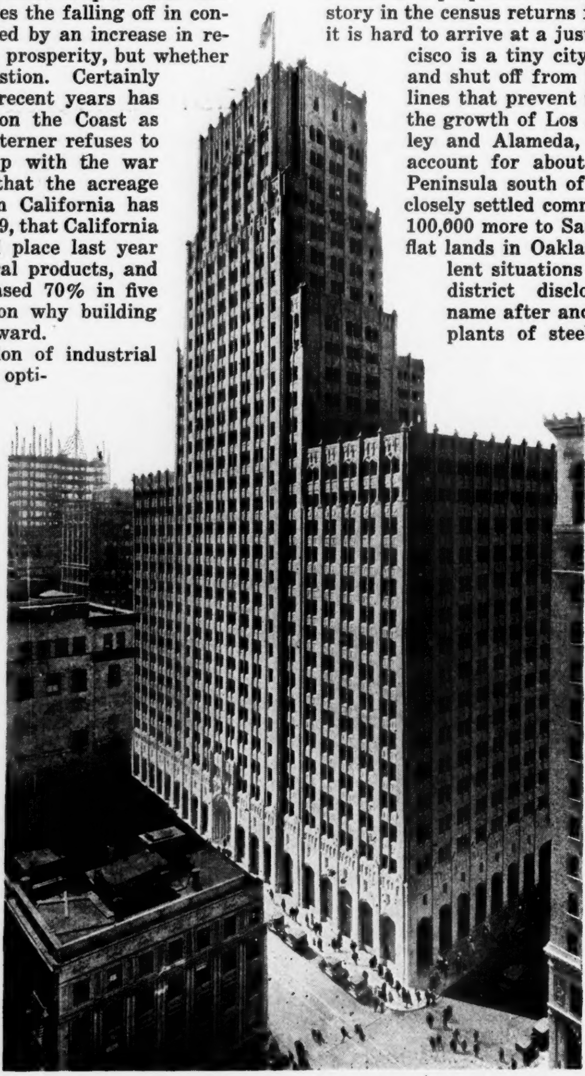
Also there is the expectation of industrial development to keep the Coast optimistic. San Francisco Bay, because of its central position on the Coast with relation to population centers and its firmly-established trade relations with China, Japan, the Philippines, Australia, New Zealand and Central America, claims first call on branch factories, and the number of plants already in operation or under construction gives force to the claim. Several Central American countries market the bulk of their coffee and other products in San Francisco and take very little in return except canned fruit and fish. They buy manufactured products in the East because they have to. New Zealand and Australia offer another ready-made market for the Coast manufacturer, with good will, excellent steamship connections, and the banking and personal requisites already established. San Francisco's exports consist chiefly of canned and preserved fruits, mineral oils, cotton, tobacco, barley and dairy products, with the item of fabricated goods low in the list. Seattle exports lumber, wheat, fish and apples, and Los Angeles petroleum, fruit and fish.

What the Pacific Coast wants today is its own plants for woolen goods, cottons, boots and shoes, hardware,—the thousand and one things it buys from the East, things that require a reservoir of highly skilled labor and a high degree of specialization. And it sees in the branch factory a way of getting them without the long and tedious process of building from the bottom. Its optimism is supported by the geography of raw materials. Given an adequate market, why should the Coast buy from New England woolen goods that originate on the sheep ranches of the Pacific Slope? Why should its cotton goods be manufactured in the southeastern states when a superior grade of cotton is grown in the valleys of California and Arizona? Why should the country's greatest hide-producing areas send their hides back to New England for shoes that are to be worn on the streets of San Francisco and Portland?

San Francisco began manufacturing in the sixties, through necessity, and the range of its manufactured products is already wide. It keeps as always the financial and industrial leadership of the Coast. Center of a closely-knit metropolitan district with a population of 1,200,000, its central position on the Coast and its prestige as elder brother and metropolis gives its leaders confidence that this supremacy will never be lost, although the phenomenal influx of new people into southern California may tell another story in the census returns for a decade. Even in population it is hard to arrive at a just comparison, because San Francisco is a tiny city, geographically and politically, and shut off from its residence districts by county lines that prevent the annexations so influential in the growth of Los Angeles. Thus Oakland, Berkeley and Alameda, on the east shore of the bay, account for about 400,000 population, while the Peninsula south of San Francisco is becoming one closely settled community of homes adding at least 100,000 more to San Francisco's own 700,000. The flat lands in Oakland fronting the bay offer excellent situations for factories, and a tour of the district discloses one nationally-advertised name after another displayed by imposing new plants of steel and concrete. With a great bridge assured for the near future, San Francisco cares increasingly less where plants go so long as they go anywhere within her metropolitan district, and the city proper, jammed onto the tip of a peninsula surrounded on three sides by salt water, becomes more and more the Manhattan to a greater city,—its financial and shopping and cultural center.

The Los Angeles district has scored industrially by securing the large new plant of the Goodyear Tire Company. Its new oil fields, record-shattering in richness and quantity, have strengthened its financial and industrial structure. The city is becoming a style-center for high price sports clothes, with the movie colony as a stimulant, and Charlie Chaplin is silent partner in one of several concerns manufacturing cheap but very attractive house-dresses in quantity. And the movies themselves are not to be sneezed at when viewed as an industry. There is the matter

(*Please turn to page 56*)



No, this is not Wall Street! Here is one of the new-type skyscrapers they are putting up now in 'Frisco

Likely Investments for Foreigners

Inbad, the American Stock Salesman Pulls a Few Bones Abroad

Why Oil Securities May Lead Next Bull Market

Vital Developments Portend a Cycle of Rising Prices—A Situation of Great Significance to Investors

By BARNABAS BRYAN

THE refiner is afraid of a future shortage of oil. The producer gazes back at past success and forgets that he is not looking at the future. The Government talks conservation but continues to lease lands which it had much better reserve for future needs. The consumer ignorantly talks of present high prices for oil products, when in fact their cheapness encourages excessive waste by the automobile. Most of us, when our fears awake us, think of foreign fields as an assurance of cheap oil. All the while, a form of control has been growing which has the advantages and dangers of monopoly, yet is not susceptible to governmental regulation or attack. Within a few years, this form of control, known as "unit operation of oil pools" will be evident in a continuous rise of oil prices.

The recent investigation of the Federal Oil Conservation Board has brought forth much idle talk by important men, and ideas which are as confused as the motives and provincial conceptions of the average oil man. To assume that past success in filling the demand is any assurance for the future is similar to assuming that the longer a bull market has continued the greater the chance that it will go on forever. To attempt the measure of either supply or demand of any common product *at an unknown price* is foolish. When a producer talks of future supplies he is hoping that prices will rise, and he would consider supply adequate with the price of crude at four dollars per barrel. When the consumer thinks of the same question he *fears* that prices will rise, and that he will be forced to restrict his demand to meet the new price. Price is the one uncertain factor in the future of oil, yet the investigation failed in any real way to measure the future course of oil prices.

The materials from which motor fuel is being made today are as widely scattered and as abundant as coal. There is no question of the ability to meet the demand (*price unstated*) for oil products during several centuries. Oil can be and is being produced today from all of the important sources mentioned by the Committee of Eleven of the American Petroleum Institute—at widely different cost prices. On the present price basis, there is certainly not enough oil to fill the demand for a generation, and probably not for three years.

The oil industry will not seriously consider the question of price in relation to future supply, through fear of governmental investigation, and therefore is far behind the times in the application of modern economics. It is in the stage of Statistics. Cries of "Monopoly" greet any rise in gasoline prices, not because those prices are either too high or too low, but because millions of voters pay cash for gasoline at the filling station and are conscious of the change. Few people are acutely aware of a change in the price of wool or asphalt pavements even though these commodities are at high relative prices, but many know the price of gasoline. It therefore becomes good politics in radical or depressed sections of the country to talk of Oil Combines. The oil industry has known of this public and political tendency since the year 1911, and, in consideration of it, speaks of price in generalities or whispers. The sooner the question of price is brought into the open and made the central point of future calculations the better for both the producer and the consumer.

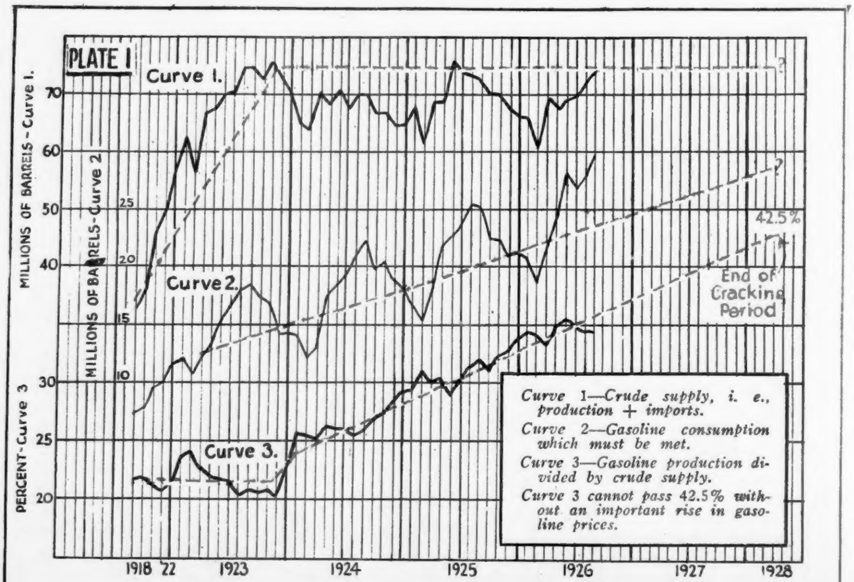
Production plus imports of crude oil into the United States increased rapidly until the end of 1923, and since that time have been relatively constant, as shown in Curve 1 of Plate I. This change in the production trend has been accompanied by a renewal of the agitation regarding oil resources, an agitation ignoring the fact that every consideration of price and demand ordered the change, just as at some future date the same forces will command a different and further curtailment of production.

Three Stages of the Automotive Age

Hence, these changes in the production trend correspond closely with the changes from one to another of the three progressive stages of the automotive age:

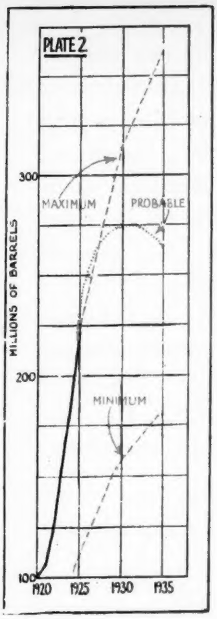
1. When the gasoline demand was met by increasing crude oil supplies.
2. When the increasing demand is met by cracking from relatively constant supplies of crude.
3. When the increasing demand will be met by efficient use.

The first period terminated definitely and forever in 1923; its end was coincident with the commercially successful cracking of fuel oil. Since that time, the price of crude has not been regulated by either the price of gasoline or the competitive price between fuel oil and coal, but rather by the economic balance between prices of gaso-



line, crude and fuel oil. One evidence of this lies in the fact that there is today shut in developed production in the United States of 200,000 barrels per day, and a similar amount in Mexico. It would have been produced had there been any need of it. Another evidence lies in the gradual firming up of the price of fuel oil as the supply is curtailed for cracking purposes.

The second period is more than half in the past. Curves 1, 2 and 3 of Plate I explain this condition. Gasoline consumption, shown in Curve 2, keeps steadily rising, and must be met, unless overcome by industrial depression of the period of efficient use. Crude supply in Curve 1 has changed trend and is no longer bearing the load. Curve 3 is the percentage of supply which appears as finished gasoline. It is total gasoline production for the month divided by total-production-plus-imports of Curve 1. Barring continuous over-production from flush fields where "unit operation" is unknown, as in the present Seminole pool, there will be an important rise in prices when the second period terminates as Curve 3 changes trend.



Maximum and minimum gasoline needs as forecast by Am. Pet. Institute. Maximum minus minimum equals the amount wasted by the present automotive engine.

The flattening of Curve 3 will take place when cracking encroaches on the supply of fuel oil for superior uses. Such uses include fuel for the Navy, for shipping, for railroad locomotives, for certain industrial processes, and for steam generation in those parts of the west where coal is necessarily high. The encroachment will be gradual, from localities of cheaper to those of dearer coal, and may never get as far as shipping needs. Computations based on inadequate but approximate statistical information suggest that this curve will not pass above 42.5% without a material rise in prices. At that point, the inefficient use of fuel oil will be a thing of the past.

The third period is now emerging from the experimental stage and will progress more or less rapidly according to the rise of Curve 3. It will have arrived in earnest when "Keep her on 40" is generally accepted to mean miles per gallon rather than miles per hour, and when automobile models are adjusted to such a basis.

The work to be accomplished by the period of efficient use is clearly suggested by the curves of Plate 2, which are the maximum and minimum requirements of gasoline for the United States as forecast by the Committee of Eleven of the American Petroleum Institute. The estimate is quite liberal in its allowance for growth in future automobile registrations. We are still following the maximum curve simply because when gasoline is cheap the average man is not much interested in the number of miles his car makes on a gallon of gasoline. As the average cost rises to twenty-five or thirty cents per gallon, the automobile manufacturer will be forced to deliver a car more economical in its use of fuel. The rise in price necessary to force the consumer from the maximum to the minimum curve is not known, but probably does not exceed fifteen cents per gallon. We will not reach the curve of minimum use for a long time, but as we leave the maximum curve and start toward the minimum the talk of waste and wasting reserves will gradually fade away.

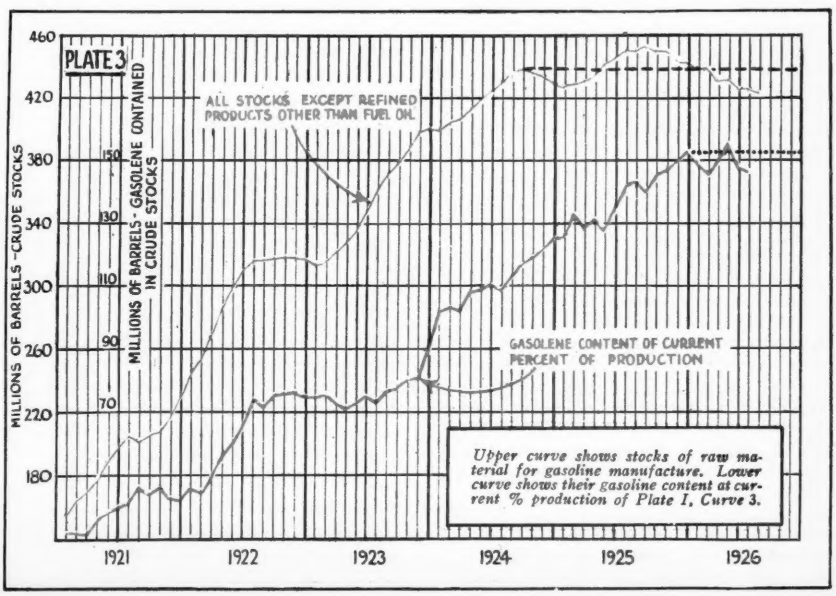
Superficially, the change from one period to the following is obscured by the accompanying economic phenomena. Previous to 1923 the cracking of gas oil was well known and had already prevented an actual gasoline famine in 1920, but the processes were controlled by a few strong companies, with a complicated, overlapping patent situation which prevented the small refiner from profiting by them. The successful cracking of fuel oil and the alarming rate of increase in crude consumption forced the airing of this patent situation and resulted in the formation of the so-called Patent Club, by means of which it became possible for licensors of any of the processes to guarantee immunity from legal responsibility and attack by other patent holders. This greatly accelerated the growth of the cracking period and has resulted in two years of absolute price demoralization followed by two more years of gradual convalescence. This Patent Club, now under legal attack by the United States government, has been a genuine public benefaction, for by making easy the overproduction of gasoline, it has lowered the average price by at least three cents per gallon and saved the consumer a minimum of $500,000,000, aside from expensive litigation which would have been passed along to the public.

Possibility of Sharp Advance in Gasoline Prices an Important Factor

Entrance to the period of efficient use will be clouded by an economic disturbance of considerable importance unless the consumer takes warning very soon and makes preparations for it. The abruptness with which Curve 3 approaches the point of rising fuel oil prices will determine the extent of the oil boom which will follow and the weight of the burden the automobile industry and the motoring public must bear through the excessive depreciation in the value of the motor vehicles then operating on a low mileage basis per gallon. In case the automotive industry fails to meet the mileage test gradually during its remaining period of grace, there is danger of a radical and excessive advance of gasoline prices due to the physical difficulties of adjustment in the use of other oil products when the unwarranted use of gasoline forces the situation and Curve 3 cannot easily rise further.

Unmined Oil Reserves

Many of the radicals of the industry and students of the production branch of it, speak of oil reserves and stocks as if a barrel of oil did not amount to



Upper curve shows stocks of raw material for gasoline manufacture. Lower curve shows their gasoline content at current % production of Plate I, Curve 3.

THIS is the first of a series of two articles which should mean much to investors both in petroleum and automobile securities. The author is one of the best known oil economists in the country and his forecast of a great impending change in the oil industry carries the stamp of authority. The present article deals with the economic phases of the future of oil prices. The second will discuss the unit operation of oil pools, the false illusion of cheap foreign oil, the final disintegration of the old Standard Oil group, and the vital new form of competition which is the future hope of the industry.

any more now than it did ten years ago. Others have wondered why oil securities have not participated in the bull markets of any year since 1923. Plate III should be quite illuminating on this point. The upper curve shows all stocks of oil except refined products other than fuel oils; that is, the total crude material for the manufacture of gasoline. The lower curve shows those stocks in terms of gasoline at the current percentage production shown in Curve 3. Thus in Curve 1, production changed trend in 1923, stocks continued to grow as cracking increased until late 1924, while stocks of potential gasoline have this year ceased to increase, coincident with a better stabilization of gasoline prices. Were figures available to illustrate graphically the average automobile miles per gallon it would also show a rise with still greater potentialities for the future. In other words, the value of stocks per barrel as reserves has doubled with cracking, and can be again doubled through efficient use.

The same reasoning applies to the much disputed unmined reserve of the United States. Just a few years ago, that reserve was worth only one-fourth per barrel what it is worth today, for now we not only know that twice as much gasoline can be taken from it, but also that the gasoline can be used with doubled efficiency. Any oil man knows that with unit operation of pools and oil at four dollars per barrel some part of the 26 million barrels not recoverable by flowing and pumping will be produced, and is therefore a known reserve the utility value of which has also increased fourfold. Thus reserves are not only a matter of physical increase with increased price, but also a matter of chemical increase through cracking, and of technical increase through efficient use, and the known reserves today are in reality larger than they have ever been.

There is still considerable rough road to be traveled by the oil industry before a stable business basis is reached, but from now on the nourishment of prices will be better. Unless there is found some simple change in the present automobile engine, whereby its efficiency can be increased, the era of efficient use can only fully arrive with the replacement of the present twenty million engines, and that would take a period of years. That change, if it could start at once, would have to be very rapid to prevent higher oil prices.

The relative positions of the oil and automobile industries during these changing conditions are of particular interest to the investors in their securities as well as the industries themselves. The price of gasoline today is commonly judged by comparison with its beginning, when it was a waste product, and any price meant a profit. As the automobile became necessary, crude production increased to meet the demand, and the oil industry had the task of finding money for exploration and drilling, for scrapping and rebuilding its refining branch, for providing means of transportation, and to establish the vast distributing organization for retailing the gasoline. The price had remained low, except for the short climax in 1920.

The second stage of the automotive industry has caused another expensive rebuilding of the refining industry, at a cost of millions and more millions for research on cracking methods, and then many more millions for the installation of new plants. Still the process goes on, for the cracking facilities must be still further enlarged until either the maximum possible amount of gasoline is manufactured or demand is decreased by better use. The oil industry has been driven at a high rate of efficiency, oppressed by prices which have more than cut profits to the bone, and it resents to the full ability of American manhood the ignorant charge that gasoline is high, when the automobile has been more wasteful than anything else the oil industry ever knew.

The automobile builder has ridden on top of the burden the oil industry has borne, thinking of speed and excess power, of interior equipments, decoration and pretty colors, the while he has been building cars with excessively high gasoline consumption. On the day when Curve 3 bumps its head against one of the essential uses of fuel oil, the oil industry will no longer be able to expand gasoline production at will and prices will thereafter be governed by the cost of increasing crude production or increasing the efficiency of the automobile.

Part II will appear in the next issue.

Twelve Oil Stocks Worth Holding for Long-Range Profits

	$ Earned 1925	Price	Div. ($)	Yield (%)
California Petroleum	3.50	30	2	6.6
Gulf Oil of Pa.	7.97	89	1.50	1.6
Humble Oil	12.93	52	*1.20	2.3
Marland Oil	8.38	52	4	7.6
Phillips Petroleum	6.48	49	3	6.1
Prairie Oil & Gas.........	6.58	49	2	4.0
Royal Dutch...............	3.10	48	†3.08	6.4
Shell Union Oil	1.86	29	1.40	4.8
Standard Oil of N. J.	4.72	41	1	2.4
Standard Oil of N. Y.......	3.63	31	1.60	5.1
Texas Co.	6.02	53	3	5.6
Vacuum Oil	9.74	93	*2	2.1

*Not including extras. †Paid thus far in 1926.

An Object Lesson in Sound Investment

What an Analysis of the Investments of the Harkness Estate Discloses—List of Holdings at Present

As the young artists study the works of the great masters, so, even in such a practical science as investment, one may review the holdings of famous estates as a guide to the most profitable acquisition of investment securities. One of the most remarkable investment exhibits thrown open to the public gaze in recent years is the list of security holdings of the Harkness Estate which is reproduced on this page. This estate founded by Stephen V. Harkness, an early associate of John D. Rockefeller, is one of the most expertly handled estates in the nation, growing to its present valuation of around sixty million dollars through judicious selection of the best among high grade investment issues.

This list itself, without further comment, speaks volumes in sound investment counsel. It is doubtful if investors have ever had an opportunity of getting a clearer picture of the advantages of playing safe when selecting securities.

This fortune was founded on the successful exploitation of the petroleum industry by the original Standard Oil company. Naturally a large investment is still retained in this business. But more interesting still, is the manner in which the estate has been protected from large capital losses through the most careful and intelligent diversification in later years. Through the reinvestment of income into the stocks and bonds of other industries, we find that today the original income producers represent the smaller portion of the entire fortune.

The soundness of the holdings of the Harkness Estate and the suitability of the list to present market conditions has been emphasized for our readers by the simple expedient of placing the following mark (†) before every issue which is *attractive for any other reason than pure investment income return.* Obviously the majority of such issues are to be found among the common stocks where the factor of price enhancement is present.

In the bond list appears but few of the slightly speculative issues. Among other things which this list will suggest to our readers, without doubt, not a few will be impressed by an interesting line of conformity between holdings of this notable estate and investment recommendations appearing in *The Magazine of Wall St.*

Holdings of the Harkness Estate*

	No. Shares	STOCKS
	2,400	Alliance Realty Co.
	500	American Bank Note Co. pf.
	1,905	American Power and Light Co. pf.
	15,017	American Tel. and Tel. Co.
†	12,050	Anaconda Copper Mining Co.
	1,000	Atchison, Topeka & Santa Fe Ry. pf.
†	14,140	Atlantic Refining Co. common.
	500	Beech Creek R. R.
†	525	Bklyn-Manh. Transit Corp., Series A, pf.
	2,000	Canada Southern Ry.
	1,050	Cleveland Arcade Co.
†	10,000	Continental Oil Co.
	1,000	Delaware & Hudson Co.
	4,100	Del., Lackawanna & Western R. R.
	500	Duquesne Light Co. pf. A.
	1,000	Electric Bond and Share Co. pf.
†	5,906	Elec. Bond & Share Sec'ties Corp. com.
	4,906	General Electric Co. common.
	11,387	General Electric Co. special.
†	1,804	Gogebic Iron Syndicate.
	1,100	Illinois Central Railroad common.
	1,059	Illinois Central R. R. leased lines.
†	5,735	Illinois Pipe Line.
	500	Kalamazoo, Allegan & Gr. Rap. R. R.
	500	Lackawanna R. R. of N. J.
	500	Mahoning Coal R. R.
†	1,000	Montana Power Co. common.
	500	Morris & Essex R. R.
†	4,006	Mount Powell Mines Co.
	4,573	Nat. City Bank of New York (The).
	7,282	National Fuel Gas Co.
	6,200	New York Central R. R.
†	2,400	N. Y., Chi. & St. L. R. R. common.
	1,235	New York Trust Co. (The).
	3,676	Ohio Fuel Corp.
†	68,824	Ohio Oil Co. (The).
	16,295	Pacific Oil Co.
	8,245	Pittsburgh & Lake Erie R. R.
	61,944	Prairie Oil and Gas Co.
	18,000	Prairie Pipe Line Co. (The).
	500	P. Lorillard Co. pf.
	600	St. Louis Bridge Co. 2d pf.
	1,152	Solar Refining Co. (The).
†	22,944	South Penn Oil Co.
	50,000	Standard Oil Co. of California.
	100,900	Standard Oil Co. of Indiana.
	19,066	Standard Oil Co. of Kentucky.
	500	Standard Oil Co. of New Jersey pf.
	564,000	Standard Oil Co. of New Jersey.
	197,650	Standard Oil Co. of New York.
	1,000	Standard Oil Co. of Ohio pf.
	4,016	Standard Oil Co. of Ohio.
†	27,519	Union Carbide and Carbon Corp.
	575	United New Jersey R. R. & Canal Co.
	1,000	United States Steel Corp. pf.
	68,928	Vacuum Oil Co.
	2,840	Youngstown Sheet and Tube Co. pf.
†	30,404	Youngstown Sheet and Tube Co.

	Par Value	BONDS
	$50,000	Alabama Power Co. 1st mortgage, series "A" 30 yr. 5s, 1946.
	50,000	Alabama Power Co. 1st mtge. lien & ref. 5s, 1951.
	125,000	Am. Tel. & Tel. Co. col. trust 4s, '29.
	200,000	American Tel. & Tel. Co. 35 yr. s. f. deb. 5s, 1960.
	100,000	American Tel. & Tel. Co. 20 yr. s. f. deb. 5½s. 1943.
	150,000	Atchison, Topeka & Santa Fe Ry. adj. mtge. 4s, 1995.
	100,000	Atchison, Topeka & Santa Fe Ry. gen. mtge. 4s. 1995.
	100,000	Atlantic Coast Line R. R., Louisville & Nashville coll. 4s, 1952.
	250,000	Balt. & Ohio R. R. 1st mtge. 5s, 1948.
	100,000	Baltimore & Ohio R. R., Southwestern Div. 1st 5s, 1950.
	100,000	Bell Telephone Co. of Canada 1st mtge. 5s, 1955.

† See text.

* Six stock holdings of less than 500 shares have been eliminated as well as 13 bonds in amounts under $50,000 par value. In addition to above corporate issues, the estate holds approximately one million dollars of city and state bonds, respectively.

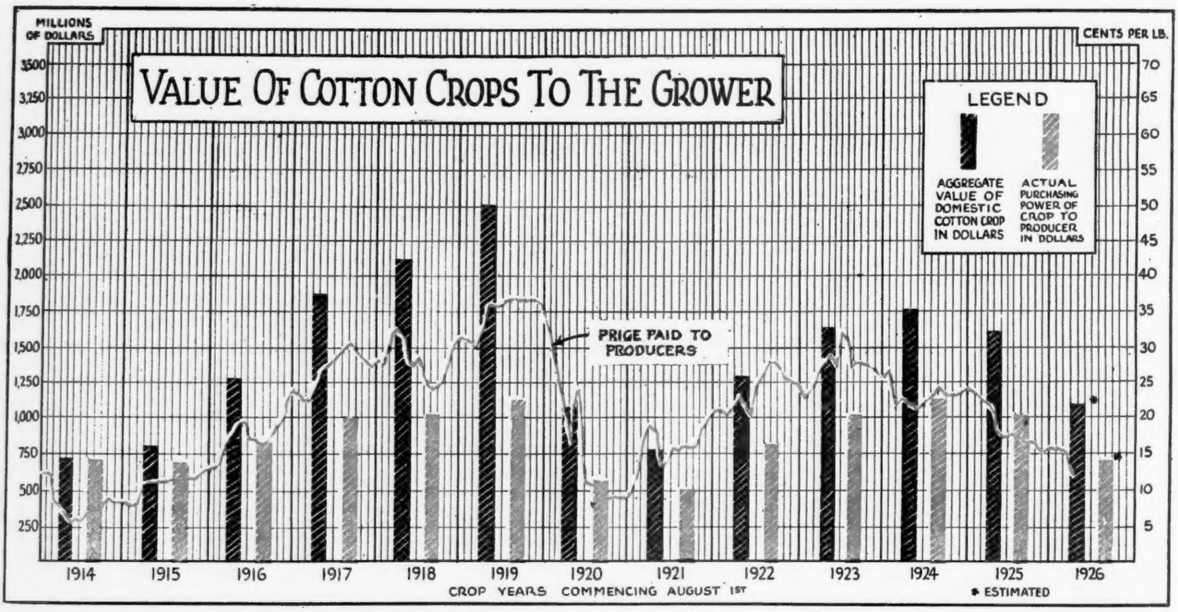
Holdings of the Harkness Estate*

	Par Value	
	$75,000	Bell Telephone Co. of Pennsylvania 1st & ref. mtge. 5s, 1960.
†	87,500	Brooklyn-Manhattan Transit Corp. s. f. 6s. 1968.
	150,000	Central Pacific Ry. 1st ref. 4s, 1940.
	200,000	Central Pac. Ry. 35-yr. guar. 5s, 1960.
	125,000	Chi., Burlington & Quincy R. R., Ill. Div. mtge. 3½s, 1949.
	100,000	Chi., Burlington & Quincy R. R. 1st ref. mtge. 5s, 1971.
†	125,000	Chi., Mil. & Puget Sound Ry. 1st mtg. 4st, 1949 (cfs. of dep.).
†	100,000	Chi., Mil. & St. Paul Ry. conv. 4½s, 1932 (cfs. of dep.).
	300,000	Chi., Mil. & St. Paul Ry. gen. mtg. 4½s, 1989.
†	102,000	Chi., Mil. & St. Paul Ry. conv. gen. and ref. 5s, 2014 (cfs. of dep.).
	50,000	Chi. & Northwestern Ry. equip. trust 5s, 1934-37.
	200,000	Chi., Rock Island & Pac. Ry. gen. mtg. 4s, 1988.
	85,000	Chicago Un. Sta. Co. guar. 5s, 1944.
	157,000	Cleveland, Cin., Chi. & St. L. Ry., St. L. Div. col. trust 4s, 1990.
	100,000	Clev. Un. Term. 1st mtg. s. f. 5s, '75.
	150,000	Commonwealth Edison Co. 1st mtg. col. 4½s, 1956.
	100,000	Det. Term. & T. Co. 1st mtg. 4½s, '61.
	100,000	Duq. Lt. Co., Ser. B 1st mtg. col. tr. 5½s, 1949.
	50,000	Edison El. Ill. Co. of Boston 4½s, '28.
	75,000	Edison El. Ill. Co. of B'klyn 4s, 1939.
	50,000	Elgin, Joliet & Eastern Ry. 5s, 1941.
	100,000	El Paso & So'western R. R. 5s, 1965.
	465,000	Federal Land Bank 4½s, 1939-56.
	235,000	Do. 4¾s, 1953-54.
	100,000	Galv. H. & San A. Mex. P. Ext. 5s, '31.
†	100,000	German External Loan 7s, 1949.
	50,000	Ill. Bell Telephone Co. 5s, 1956.
	150,000	Illinois Cen. R. R. Col. 4s, 1952.
	106,000	Ind., Ill., Iowa R. R. 4s, 1950.
	50,000	Ind. & Mich. Elec. Co. 5s, 1955.
	50,000	Joplin Union Depot 4½s, 1940.
	50,000	Kansas City Term. Ry. 4s, 1960.
	100,000	Kingdom of Sweden 30-yr. 5½s, 1954.
	525,000	Lake Shore & Mich. So. Ry. 4s, 1928.
	100,000	Liggett & Myers Tob. Co. 5s, 1951.
	100,000	Louisville & Nashville R. R. 4s, 1940.
	100,000	M., St. P. & Saulte Ste. M. 4s, 1938.
	100,000	Missouri Pacific R. R. 6s, 1955.
	314,000	N. Y. C. & H. R. R. R. 4s, 1934.
	200,000	New York Central R. R. 5s, 2013.
	50,000	N. Y. C. Lns. 5s, 1935-39 trust of 1924.
	50,000	N. Y. Connecting R. R. 5s, 1953.
	100,000	New York Edison Co. 5s, 1944.
	100,000	Niag., Lockp. & Ont. Pwr. Co. 5s, '55.
	100,000	Norfolk & Western Ry. Div. 4s, 1944.
	100,000	Norfolk & Western Ry. 4s, 1996.
	200,000	Northern Pacific Ry. 3s, 2047.
	226,000	Northern Pacific Ry. 4s, 1997.
	100,000	Ohio Power Co. (The) 5s, 1952.
	82,000	Ohio River R. R. 5s, 1937.
	125,000	Oregon R. R. & Navig. Co. 4s, 1946.
	70,000	Oregon Short Line R. R. 5s, 1946.
	50,000	Pennsylvania R. R. 7s, 1930.
	52,000	Pittsburgh, Cincinnati, Chicago & St. Louis Ry. 4½s, 1940.
	100,000	P. Lorillard Co. 5s, 1951.
	70,000	P. Lorillard Co. 7s, 1944.
	100,000	Southern Pacific Co. 4s, 1929.
	125,000	Southern Pacific Co. 4s, 1949.
	190,000	So. Pac. Co., San Fran. Term. 4s, '50.
	100,000	Southern Pacific R. R. 4s, 1955.
	100,000	South. Pac. Equip. Trust 5s, 1934-38.
	357,000	Union Pacific R. R. 4s, 1947.
	150,000	Union Pacific R. R. 4s, 2008.
	62,000	Union Pacific R. R. 6s, 1928.
	3,656,650	U. S. of Am. 1st Lib. Loan 3½s, '47.
	750,000	U. S. of America 2d 4¼s, 1942.
	1,001,400	U. S. of America 3d 4¼s, 1928.
	1,500,000	U. S. of America 4th 4¼s, 1938.
	180,000	U. S. Steel Corp. 5s, 1963.
	100,000	U. S. of America Treasury 4¼s, 1952.
	200,000	Virginian Ry. Co. (The), 5s, 1962.
	100,000	Western Electric Co. 5s, 1944.
	100,000	Western Union Tel. Co. 4½s, 1950.
	100,000	Youngstown Sheet & T. Co. 6s, 1943.

King Cotton Abdicates

Industries That Are Affected by the Break in Cotton—Favorable and Unfavorable Aspects

By AVERY WALBRIDGE



IT is the purpose of this graph to convey, first, a comparison in the total values of recent cotton crops as illustrated by the black ordinates; and second to indicate by the red ordinates the worth of these crops to the producers in terms of the actual purchasing power they represent. In other words, if the prices of the commodities of life which the grower must buy are such as to make his dollar worth but eighty-five cents, based on 1914 levels as parity, obviously a crop valued at a billion dollars represents no more than 850 million to the cotton producers. The dollar value with reference to the prices of all commodities which obtained during each crop year commencing August 1st is used as a standard. It will be noted that the value of the crop to the grower is not necessarily a function of its size. For example, the 16 million-bale production of 1925 represents no more intrinsically than the 10 million-bale outturn of 1923 or 11 million bales in 1919. Manifestly, the controlling variable is the price paid the producer, represented by the curve of cents per pound.

IT is an ancient economic axiom that all wealth springs ultimately from the soil. The products of agriculture, therefore, comprise one of the most important sources of a nation's wealth. While in later years agriculture has not tended to influence the business of this country to the same degree as formerly, owing to the expansion of manufacture, maladjustments in the price of leading farm commodities are still bound to have far-reaching consequences.

Though the South produces many agricultural products such as tobacco, rice, breadstuffs, oranges, sugar and alfalfa, cotton is the great money crop of the vast territory below the Mason and Dixon Line. Cotton, in other words, is the backbone of southern wealth. The steady rise in crop yields, concurrent with prices well above cost of production, which followed the post-war depression, did much to stimulate prosperity for all companies that do business with the South.

The cotton grower was enabled not only to liquidate old debts but greatly increase his purchases of all classes of goods. It is not surprising, accordingly, that the recent drastic break in cotton should raise old spectres in the minds of business men who have not yet forgotten the lessons of the none too remote farm depression.

The farm implement manufacturer was greatly benefited by the recovery in purchasing power of the cotton planters, particularly at a time when export markets were demoralized and farmers in the West were staggering under post-war burdens. The mail order, chain store and automobile companies felt the stimulus of renewed demand resulting from restoration of demand for luxuries as well as necessities. The fertilizer industry experienced a moderate revival and business in numerous other lines less intimately related to agriculture felt a new stimulus. Obviously, all this meant more revenue for the railroads which carry goods from northern manufacturing to southern consuming centers.

The question that now disturbs the business community is whether or no the unfavorable effects of 1921-1922 cotton depression are to be repeated and to what extent these gains may be cancelled by the fall in prices of this important commodity. The fact of a large crop yield has been known for some time. Nevertheless, the extent of over-production was not fully realized until publication of the Government report as of October 8. The cotton market promptly responded to the Government estimate of a 16.63 million bale yield by dropping precipitously to the lowest levels since July, 1921.

The stock market, always alert to possibilities and changes in sentiment in the major commodity markets, also registered its impressions without delay. Wide declining movements ensued in that group of securities most directly connected with the South and southern industry. Following the natural sequence of events, retail and wholesale trade in the cotton belt has grown hesitant. In other words, the October break in cotton has been so violent as to forcibly draw attention of the whole business community to the plight of the grower and enlist the active aid of governmental agencies.

It is the grower, of course, who is hardest hit by the debacle. He is in the unfortunate position of having to market the largest crop in history without securing for his increased labors an equivalent cash return. This is due to the fact that the purchasing power of the grower varies directly with price rather than with output, as a glance at the accompanying graph will show. Hence, while the latest Government report has raised the estimated crop yield to still higher figures, 17.47 million bales,

the position of the planter has not been made more bearable by the indicated prospect for a real "bumper" harvest.

That the southern farmer will be forced to curtail his expenditures is a foregone conclusion. The record yield, instead of bringing him increased wealth, threatens to make him poorer since cotton has dropped much below the average cost of production. Some planters will fare better than others, owing to keener marketing ability and more favorable natural advantages resulting from better soil and labor conditions. Unfortunately, however, average results will be far from good and the effects of impaired buying power are bound to be felt in lines even somewhat remotely removed from direct contact with the planter of cotton.

It would be exceedingly difficult, if not impossible, to measure these effects directly or indirectly. They can only be surmised in a general way. It is evident, however, that sales of farm implements will be adversely affected now as they were stimulated by rising cotton prices before, though the producer in this industry is in a much stronger position than five years ago. Export trade and domestic sales in other districts than the South should tend to carry him through the period of restricted southern demand with far less effort than on the occasion of former depression.

The same thing is true of the mail order, chain store and automobile industries, though the former have little interest in export, of course. Fertilizer companies will probably be the most direct sufferers since it is almost axiomatic that sales to the cotton grower depend directly upon his purchasing power. Approximately two-thirds of the fertilizer business is done in the South. When the cotton industry is prosperous, farmers buy liberally in order to increase the productivity of their lands. On the other hand, the curtailment of planting which follows a period of over-production means a lessened demand for fertilizers. Moreover, with buying power restricted, the cotton planter begins economizing by cutting fertilizer expenditures.

(*Please turn to page* 82)

How Important Southern Companies Will React to Break in Cotton

American Agricultural Chemical Co.— Leading manufacturer of fertilizer, industry which is bound to feel collapse in cotton more directly than any other. Consumption of products not confined to cotton area, but situation likely to result in further drop in earnings.

American Snuff Co.— Outgrowth of old American Tobacco Co. with fairly stable business since dissolution. Falling off in earnings of late result of keener competition rather than smaller demand for product, which is regarded as essential as tobacco to certain classes of southern population consuming it.

Atlantic Coast Line R. R. Co.— Traffic too well diversified to be materially affected by cotton except as it may influence movement of other freight through reduced buying power of farmer. Directly affected only by prospect smaller cotton acreage next year as heavy production this year means heavy freight movement.

Coca-Cola Co.— Large soft drink manufacturer with headquarters in Georgia, but product distributed so widely that business is unaffected by local conditions. Bulk of consumption by urban population is little if any impaired by distress in rural sections.

Davison Chemical Co.— Earnings likely to be adversely affected by reduced demand for sulphuric acid and acid phosphate used in fertilizer. Stock has usually sold on factors other than earning power which is highly irregular at best, so that cotton depression should be only minor factor in market action.

Gulf States Steel Co.— Relatively small but important self-contained steel enterprise in Alabama. Business not of nature to be injured by decline in cotton. Drop in earnings this year due to other causes, principally keen competition in its foreign markets.

Illinois Central R. R. Co.— Passes through territory most affected by cotton collapse and indications point to some recession in earnings next year by reason restriction in cotton output and depression in certain sections covered. Insufficient, however, to impair investment status of stock.

International Agricultural Corp.— Another large fertilizer enterprise. Much improved position through readjustment of capitalization without receivership. Smaller fertilizer sales offset by greater production of phosphate rock, but early outlook beclouded by cotton situation.

Louisville & Nashville R. R. Co.— Operates in southern territory but products of mines constitute bulk of freight. Doubtful that favorable trend of earnings will be interrupted through any factors arising out of cotton situation.

Penick & Ford, Ltd., Inc.— Corn products manufacturing in West, but plants engaged in other branch of business, packing of molasses and cane syrup, confined to southern cities. Molasses is important constituent in southern food and demand should not be materially lessened by stringency in cotton belt.

Seaboard Air Line Railway Co.— Operates to such large extent in Florida and outside cotton area that ultimate effect of situation on earnings would be only indirect and probably unimportant. Conditions in Florida largely govern prospects for further rehabilitation.

Sloss-Sheffield Steel & Iron Co.— Large pig iron producer operating in South. Controls its own coal and iron ore. Large earning power under normal conditions in steel trade. Low cotton market should have no bearing on outlook, which depends on steel situation.

Southern Dairies, Inc.— Recent consolidation of ice cream manufacturers and producers of milk, butter, etc., operating in Southeast. Upward trend of earnings should not be interrupted by difficulties of cotton growers, as cities and towns provide principal markets for products.

Southern Railway Co.— Prosperity reflection of industrial development in South rather than agricultural. Cotton constitutes only 3% of total traffic. Outlook affected only insofar as industrial situation may be influenced by difficulties of cotton growers.

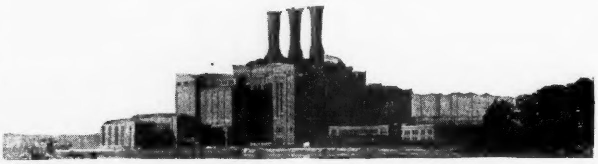
Virginia-Carolina Chemical Corp.— Fertilizer company recently passed through receivership and reorganization. Products consumed almost entirely in the South so that restoration of earning power may be rather badly handicapped right at start.

PUBLIC UTILITIES

How To Value Public Utility Common Stocks

Certain Tests Helpful in Analyzing All Utility Securities —Difference Between Holding and Operating Company Fundamental—How Listed Stocks Are Rated

By JEFFERY SQUIRE



THIS is the first of a series of four educational articles. The next article will appear in the following issue on "How to Value a Mining Stock." The succeeding two issues will deal with the essentials of valuing railroad and oil stocks, respectively. Each article is accompanied by a rating of all the stocks in the group, listed on the N. Y. Stock Exchange.

THE importance of public utility stocks has brought them into the forefront of the securities market where many years ago they were wholly secondary in interest to the bond issues of their corporations. The upward trend in utility earnings after the armistice, and the development on an unprecedented scale of the public utility holding company, were the two important factors promoting this development.

The investor had to learn a new technique for valuing these stocks since the old tests of investment merit could not apply to the utilities as they applied to railroad and industrial stocks. But the popularity of the utilities is so recent as compared with that of rails and industrials that the majority of intelligent investors still do not move as freely among these securities as they should.

Perhaps the reason for this hesitancy is the history of the utilities many years back. At the turn of the century, they were the targets of all the radicals of the country. The local traction or gas company was generally referred to as the "Octopus." It was supposed to be a center of public corruption and an enslaver of the people. These melodramatic assaults led to two results, one good and the other bad. The bad result was the consistent starvation of the utilities by unfair rate laws. The constructive step consisted of establishing commissions to regulate these corporations.

Contrary to the expectations of those who helped establish regulation and supervision, the public utility company eventually won the confidence of these commissions by rigorous economic logic. Regulation, initiated as a form of enmity, turned into the greatest protection the utility corporations could possibly have.

A reasonable rate of return and just valuations became the order of the day. An epoch of declining costs, and, in the case of electricity, of declining rates, also helped the popularity of the utilities as investments. The net result has been that the investor finds a large group of investments among the utilities superior to most industrials and that they are on a parity with the best rails. This situation, however, applies to operating companies primarily, and holding companies benefit thereby only to the extent that they derive dividends from such operating company holdings. Holding companies are not regulated, as a rule.

Utilities Diversified in Character

The term "public utilities" comprises a variety of industries. The most familiar is the electric light and power company, which in turn is differentiated into companies primarily hydro-electric and those dependent on steam generation. The economic differences between these two are fundamentally in the extent of capital investment. Hydro companies require heavier initial investment for the volume of business obtained, but later revenues are all the more profitable. Steam companies show larger immediate profits with lesser gains as time goes on.

Gas companies are also familiar; these in turn are divided into manufactured gas companies and natural gas companies. The latter are less conspicuous.

The tractions, or street car utilities are important, as are also the interurban trolleys. Bus corporations are recent arrivals in the list of utilities. Minor utilities comprise water and steam heating companies.

Over and above these stands the telephone industry which excites less interest owing to the tremendous concentration that has vested the destinies of this great utility in the hands of one company. The telegraph is similarly divided into two large systems, one of which has scant public interest.

Not only does the term "public utilities" include all these corporations, but often they are conjoined in the same corporation as the "American Water Works and Electric" or the "Consolidated Gas" of New York, whose revenues are primarily electrical. Over and above such combinations stands the question of financial structure.

Operating companies ordinarily derive their revenues directly from the consumer. If they hold stocks of subsidiary corporations, such corporations are merely devices for more efficient administration.

Holding companies, on the other hand, own securities in underlying corporations, and in large measure, though not always, the major part of their income is derived from earnings on common stocks of these subsidiary corporations. Frequently these cor-

porations also enjoy engineering and management revenues from subsidiary companies. In many cases they own oil companies or other miscellaneous investments. Since the holding company is dependent on the net earnings applicable to the junior securities of the corporations whose stock it controls, it is obviously in the position of an investment trust with reference to its realized revenue. Corporations differ greatly in their accounting practice, some counting as income all earnings applicable to the common stock they hold; others, more conservative, count only cash dividends received from subsidiary company investments, as earnings.

What is Common to all Utility Stocks?

This great diversity of public utility types may well give the investor pause. He realizes from actual experience that electric light and power sales have advanced more than gas sales. He knows that tractions have frequently been through bitter struggles with buses, whereas electric light and power has seen no new rivals. He knows that the trend of rates in some utilities is upwards, and of some downwards, although in both cases net earnings have increased.

When he conceives the many possible combinations of utilities, he may well despair as to learning much about any particular company. Yet, if his mind will travel to the days when railroads were less regulated he will see that the same remarks were made at the time about the rails. How, asked many, could wheat roads, lumber roads, passenger lines, trunk roads, branch spurs, be compared? Nevertheless we have today uniform accounting and the experienced rails investor knows how to judge these stocks, as a unit. He is in the same position among operating public utilities. He is not quite in so fortunate a position with reference to holding companies, however.

Earning power is the one common criterion of all companies, whether industrial, rails or utilities. Capitalization of earning power is the market valuation of all securities, whether utilities or not. Past earning power for the last few years, present earning power, and immediately future earning power constitute the basis for all valuations. Wherever these three factors are disregarded, either by too much inflation or pessimism, the stock is either cheap or dear. Otherwise it is selling at a just price. Whenever other factors are given undue weight, the stock is not properly valued.

This may seem to place earning power in the center of the picture and the rest nowhere. Fundamentally that is true. Valuation of assets is important insofar as assets can be taken as a rate basis. If valuations per share are high, and earnings per share low, compared to such physical valuations, this should be considered only if such valuations are likely to increase earning power, by being used as a basis for higher rates in the next few years. The same is true of strategic position with reference to mergers, etc., of character of management, distribution of consumption, etc. Insofar as they ascertainably assist the amount and continuity of earnings, they should be considered, otherwise not. In a public utility which is, of course, a cash business, the problem of valuation is simplified, because working capital is also simplified, especially as to inventories, receivables, etc.

Market Comparison of Public Utility Common Stocks

Listed N. Y. Stock Exchange

	Price	Market Rating	Price at which stock would be really attractive
American Tel. & Tel......	145	A	135
American Power & Light..	61	B	50
Am. Water Works & Elec.	50	B	45
Amer. & Foreign Power...	15	C	N.R.
Brooklyn Edison	148	A	130
Brooklyn Manhattan	58	A	58
Brooklyn Union Gas.....	90	B	90
Columbia Gas & Elec....	81	B	81
Consolidated Gas of N. Y.	102	A	102
Detroit Edison	138	A	130
Elec. Power & Light.....	16	A	14
Engineers Public Service.	20	B	16
Federal Light & Trac....	31	B	28
Gen. Gas & Elec. "A"...	41	B	35
Hudson & Manhattan....	38	A	38
Interboro Rapid Transit..	40	C	30
International Tel. & Tel..	115	A	100
Laclede Gas	158	B	130
Louisville Gas & Elec."A"	24	B	20
Manh'n Ry. (Mod. Guar.)	48	C	35
Market St. Railway	5	D	N.R.
Montana Power	76	A	76
National Power & Light..	19	B	16
Niagara Falls Power.....	28	B	25
North American Co......	46	B	35
Pacific Gas & Elec.......	129	A	115
Pacific Tel. & Tel........	135	A	125
Peoples Gas of Chicago...	122a	A	122a
Philadelphia Co.	72	B	60
Public Service Corp. N. J.	91	A	85
Southern Calif. Edison...	31	B	28
Standard Gas & Elec.....	53	A	53
Third Avenue R. R......	30	C	20
Twin City Rapid Transit.	67	C	50
Utilities Pow. & Lt. "A"	30	B	25
West Penn Elec. "A" ..	98	B	90
Western Union Telegraph.	145	A	135

(a) Ex-rights. Ratings—(A) Strong market position, recession possibilities limited. (B) Attractive on recession to figure in last column only. (C) Inherently weak position. Figure in last column cheap only as a speculation. (D) Dear at any price. N.R.—Not recommended.

It is really amazing to see how closely two engineering firms, competing for the same utility will come to each other's figures in making their valuations. Apart from net quick assets, which are automatically figured, earning power seems to be easily calculated. Size and character of the investment play some part. For example, water works are obviously capable of greater stability than almost any other utilities, and it is not at all excessive for such stock if issued by a well-managed company, to sell for fully fifteen times annual earnings. At the moment of writing, average utilities, both operating and holding company stocks, are selling at nine times their present annual earnings. Hence they are selling under the so-called safe average for all stock which holds that earnings be one-tenth of the market price. If that were all they would be cheap. But the question is not as simple as that. Operating companies ought to sell on a better basis than holding company stocks for one main reason.

Assume that a holding company common stock has investments of 100 millions in securities of subsidiary corporations. Let us assume that 75 millions of these holdings are in common stock. The holding company terms all earnings, attributable to the common stock of the operating companies, to be earnings on its own shares. The holding company has outstanding 30 millions in debentures, 20 millions in other senior obligations and 25 millions in common stock. It obtains, say 6%, from the senior obligations of its subsidiaries, or 1.5 millions on the 25 millions so held. This is insufficient to pay the interest on its own debentures. It depends, therefore, on its earnings from the 75 millions in common stock to pay for its issued capitalization and to develop a surplus besides. Let this 75 millions earn 4.5 millions. Then, 1.5 millions would be applied to interest on senior obligations of the holding company, in addition to the 1.5 millions previously applied to the debentures. Three millions of operating company earnings would thus be attributable to the common stock of the holding company. On 250,000 shares of common stock ($100 par) this would be equivalent to $12 per share. If all of this is paid out in cash dividends, no surplus is created, so that all future expansion, etc., must be met by increase of senior obligations. If these in turn are sold at 6% or less the position of the common stock owners of the holding com-

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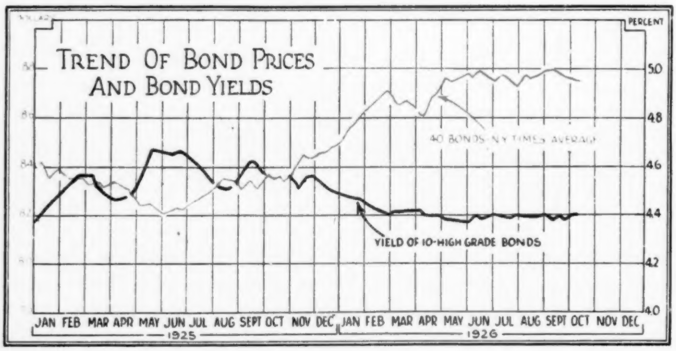
BONDS

Profit Possibilities in Gilt-Edge Bonds

Prime Bonds More Attractive Than Many Investment Common Stocks—What Tradition Costs the Investor

By ALFRED O. DELAFIELD



The remarkable persistence with which high-grade bonds hold to their highest levels of the past few years, despite the current higher money rates, indicates that large institutional buyers are not disposed to sell these issues and that they believe the long-term trend of bonds prices is upward. Those who hold the better grade bonds should not dispose of them but, if their resources permit, should add to their lists as the possibilities in this field of securities has by no means been exhausted.

THE gilt-edge bond remains the great investment stand-by. Not only has tradition frowned upon the consideration of any other type of security as the ultimate in sound investment, but numerous critical assaults of recent years have done little to shake public confidence in their supreme merit.

It is true that certain investment experts have repeatedly pointed out that a rise in the level of commodity prices really cuts the income from these securities, and, hence, that they are merely disguised speculations in the price of commodities. Also, their investment merit has been challenged by those who hold that common stocks, carefully selected, have been in reality as safe and far more profitable. Along with these two standard criticisms, there are a multitude of others. Yet the bond market has faced this battery with indifference. The truly conservative investor still frequently prefers to accept 4.5% in a prime bond to 6% in an excellent common stock. He does not object to receiving less income from such bonds because he still believes them to be the only really safe investments. Hence, whereas gilt-edge bonds may no longer be sacrosanct with theorists, their position remains unassailable so far as the investor is concerned. What is the reason?

The answer is not to be found in the indifference of investors to these critics. But conditions are changing and the fact that commodity prices have remained pretty static with a downward bias, that interest rates have shown a moderate downward tendency, and that bond prices have shot up appreciably in the past few years, have robbed the latest theory of high-grade bonds and stocks of much immediate value.

The present is an ideal moment for the investor to take stock of the position of gilt-edge securities. Perhaps there is no section of the investment field in which profit (or loss) possibilities are so large, on the whole, as they are in this apparently uninteresting gilt-edge bond section.

What the Trustee Can Do

Groups of investors that are compelled to operate in a restricted field are the so-called trust or institutional investors, whose commitments are limited by law or agreement to certain specified securities. Trustees under wills, universities acting as trustees of special funds, life insurance companies in most states, mutual savings banks, etc., form a giant army of investors whose demand is limited in range by statutory or other restriction.

They are unable to spread about in the entire list of gilt-edge securities, but are forced to invest in "legals" which comprise only a small part of the gilt-edge group.

For them, then, there are only two problems. The first is to obtain the maximum of current income compatible with quality, among those bonds authorized for investment. The second is to decide what part of their investments must be kept liquid, and what part can stand for lesser marketability provided that current income is higher.

The second decision is an individual matter, except with savings banks whose large commitments in real estate mortgages compels them to seek an unusual proportion of liquid commitments in their security holdings. The more important question for trustees is opened by the table accompanying this article. In this table, it is suggested that the same quality and marketability can be combined with far better yields among gilt-edged investments, than is usually the rule. The reason for this possibility requires a study of tradition.

Reading general 4s are an outstanding example. This 5 million dollar issue has a maturity as satisfactory as that of other prime bonds. It is junior to only 28 millions in underlying securities. Its interest has been earned nearly five times over, on the average. It is undoubtedly among the finest bonds. Yet there are bonds that can show to better advantage and which sell five points lower, thus offering a materially larger return. Why are such investors willing to pay so much for Reading 4s, and similar issues? Because of tradition. No trustee or board of directors can ever face criticism as to having jeopardized the principal of their trusts, if they have placed their funds in such time-honored commitments. They are legal in a great number of states for such investments. Hence, they are bid up to a point where they rival Liberties. Their salability is perfect. Their spread between bid and asked price is the smallest conceivable. But the yield is wholly unattractive. The lazy trustee who purchases such a bond pays a considerable premium for tradition. But irrespective of what

trustees do, the mere fact that they concentrate so much on this type of bond alone makes it inadvisable for any one else, as the price is too high to make them a feasible investment for others.

By "legals" two types of securities are implied. The first confines itself to such securities as are permitted to trust funds, etc., in New York, Massachusetts, New Jersey, Connecticut, etc.; states whose investment placements are certainly above a third that of the Union. The second, and less often used definition, refers to such authorized investments throughout the country. However, the first is the more significant, as the range is quite similar in these states, and the buying power immensely concentrated. These "legals" most frequently consist of United States obligations, designated state and municipal bonds, underlying and other senior obligations of the most prosperous rails, and in some states, Federal Land Bank bonds and a highly restricted number of utility senior bonds, usually of operating companies.

These legals are in limited supply. Not only is the amount issued small in comparison with the volume of demand, but most of these investments sink into the bottomless pit of trustee portfolios. That is to say, a prime railroad security, of which 5 millions are outstanding that is legal for trustee investment in several important states, may have reached a point where it is rather rare to see one traded in.

Every bond-man remembers that in 1915 when Great Britain was selling her choice American holdings, all of the prime underlying bonds that bond-men knew of by reading the manuals were for the first time visible in quantity in America. The moral is obvious. "Legals" are overvalued for all except those who *must* buy them. *So far is it from being a recommendation for a bond that it is legal for trustee investments in the great investment states, that for the ordinary investor it tends to bar the bond wholly from consideration.*

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Gilt-Edge Bonds That Can Be Bought for Long-Term Price Appreciation

	Call Price	Price	Income	Yield
Canadian National Rys. 4½s, 1954	103A	94¼	4.77	4.86
Chicago & Western Indiana, Cons. 4s, 1952	....	85½	4.68	5.00
Cleveland, Cinn., Chi. & St. Louis, Gen. "B" 5s, 1993	....	103⅛	4.84	4.81
Illinois Central, Chi., St. L. & N. O., 1st Ref. 5s "A," 1963	110B	101¾	4.91	4.90
Central Pacific, Guaranteed 5s, 1960	105C	100¾	4.96	4.95
Kansas City Terminal 1st 4s, 1960	105D	87⅛	4.59	4.77
Lehigh Valley, Gen. Con. 4½s, 2003	....	95	4.74	4.75
Louisville & Nashville, Southern Monon. Coll. 4s, 1952	105	86⅜	4.63	4.93
New Orleans Terminal, 1st 4s, 1953	....	85⅛	4.70	5.01
N. Y. Connecting R. R. 1st "A" 4½s, 1953	105	94⅛	4.77	4.89
Oregon-Washington R. R. & N., 1st & Ref. 4s, 1961	105B	85⅝	4.66	4.84
Pere Marquette, 1st "B" 4s, 1956	100	86⅝	4.61	4.84
Pitts., Cinn., Chi., St. L., Gen. "A" 5s, 1970	....	102¾	4.86	4.85
Pittsburgh, Youngstown & Ashtabula, Gen. "B" 5s, 1962	....	103⅝	4.82	4.78
St. Paul Union Depot, 1st & Ref. 5s "A," 1972	110E	104	4.81	4.78
Winston-Salem Southbound, 1st 4s, 1960	....	87	4.60	4.78

A—Graduated call price.
B—Callable as a whole.
C—Callable as a whole only after 1935.
D—Callable as a whole after 1930.
E—Callable as a whole after 1942.
Average current income 4.75%. Average yield to maturity 4.85%.

Gilt-Edge Bonds That Yield Too Little to Be Attractive

	Price	Income	Yield
Pitts., Cinn., Chi. & St. L. Con. "E" 3½s, 1949	96½	3.63	3.78
Erie R. R., Penn. Coll. Tr. 4s, 1951	98	4.08	4.13
West Jersey & Seashore, 1st Con. S. F. 3½s, 1936	94¾	3.69	4.14
Reading Co. Gen. 4s, 1997	98½	4.06	4.07
Boston Terminal, 1st 3½s, 1947	90½	3.87	4.18
Chi., Burlington & Quincy, Ill. Div. 3½s, 1949	88⅝	3.96	4.30
Illinois Central, 1st 4s, 1951	95	4.21	4.33
N. Y. & Harlem, 1st 3½s, 2000	80⅞	4.33	4.35
Penn. R. R., Con. 4s, 1945	95¾	4.19	4.36
United N. J. R. R. & Canal Co., 1st 4s, 1944	95½	4.19	4.36
Erie & Pittsburgh, Gen (now 1st) 3½s, 1940	91	3.85	4.37
Norfolk & Western, 1st Cons. 4s, 1996	92	4.35	4.38
Lehigh Coal & Navigation 4s, 1948	94¾	4.22	4.39
Morris & Essex, 1st Ref. 3½s, 2000	80	4.37	4.40
Louisville & Nashville R. R. Unified 4s, 1940	95½	4.19	4.43
New York Central, Con. "A" 4s, 1998	89¾	4.45	4.47

Average current income, 4.10%. Average yield to maturity, 4.27%.

He must compete with a body of men who are not free to decide whether or not they can reject that bond. Hence, there is almost no limit for their bids, except the minimum prevailing pure rate of interest.

For example, the ordinary investor should not buy municipals to yield him as little as 4.10%, since in New York state most savings banks will pay 4% on a perfectly liquid account. Of course, tax-exemption is a feature of municipals. This is a second factor that the ordinary investor must beware of.

Municipal bonds and other tax-exempts are burdened with two premiums. Not only do trustees bid up the price, but those who pay heavy surtaxes bid it up also. The tax factor though has lesser importance. In the first place the rich do not buy as many tax-exempts as is believed. Analysis of representative estates of millionaires shows that tax-exempt securities are a minor part of their commitments, common stocks and real estate leading.

The position of dividends with reference to normal income tax makes them also desirable, hence, the frequency of common stock investments. Nevertheless, tax-exemption is paid for in the price of municipals, and it is never worth-while to the small investor. For example, a bond purchaser (married, with two children) whose taxable income is $2,000 per year above exemptions would be foolish to pay for a privilege that has no signficance for him. Here, too, the ordinary investor who seeks to buy securities, and nothing else, should avoid the payment of extra charges on his investments.

As early as 1870 the brilliant English economist, Jevons, observed that a rise in the price of commodities in effect reduced the value of a bond. Until 1914, however, this viewpoint, while accepted theoretically, remained a neglected observation in the art of investment. The inflation of European currency, however, consequent upon the great war, wiped out bond investors in many important countries such as Germany. Even in the United States bonds that had sold at 100 in 1914 not infrequently sold at 80, in 1921, and that at seven years nearer to maturity date! No object lesson could be clearer.

At the same time, the rails, the very centre of high grade bonds, fared worse than ever before, and the utilities not much better. Those great rail and utility corporations, dependent on rates, have the greatest need for investing huge capital and consequently for issuing bonds. On the other hand, industrial stocks made a "killing" from 1915-1920. At once scholars erected this experience into a universal law. They pointed out that beginning with 1897 when commodity prices initiated a rise that was not interrupted until 1921, common stocks had proved better investments than bonds. But they went further. They indicated that even from 1873 to 1897, a quarter-century of declining commodity prices, common stocks had done as least as well as bonds. Despite this apparently overwhelming proof that for fifty years the entire community of investors had been wrong in their fundamentals, and the scholars with their new revelation, right, the entire community of investors still accorded their preference to bonds. What was back of their characteristic obstinacy?

The first solid reason was that at the very moment that these lugubrious prophecies took shape, the trend in commodity prices and in interest rates, turned for the first time in a quarter of a century. The second was that the example of 1873-1897 was to begin with tenuous, and to end with, not relevant to the present situation.

In 1873 America was a pioneer country that was opening up the greatest industrial and population growth in the history of the world. Its population was 41 million; in 1897 it was 72 million. Sheer increase in business, therefore, just about balanced the decline in commodity prices. Commodity prices declined because of a general situation throughout the world, for, so far as the United States was concerned, we borrowed everywhere to build production capacity to equal our consumption capacity. In 1873-9 and in 1893-7 we paid for some of this financing, and it was the common stocks that fared worst. From 1879 to 1893, barring minor recession, enough profits were accumulated to pull up the average of common stock investments.

The United States today is in a very different position. Its population is growing at a much slower rate. It is over-built in production capacity and is compelled to resort to time payments as a means of disposing of its production. While progress will continue, practically no one but an incurable optimist expects to see the industrial sales of this country advance at a rate greater than that in a pioneer country. In Europe from 1872 to 1897 a period of declining commodity prices meant a quarter of a century of economic recession, and only bonds came through with flying colors. Our experience from now on will resemble that of Europe at that time rather than of the United States at the same period. Hence, the long term prediction is favorable to bonds more than to stocks.

An interesting example can be cited. A 5% bond is bought at par today. It matures in 1950. By 1936 the commodity price index, today at about 150, may be as low as 120. Interest rates may reach the 1895 level, and 3% prevail on prime bonds. This bond will sell at 125 (barring call features) and still be at a not excessive premium with reference to maturity date. The purchasing power of its $50 coupon will be raised by 20%, since commodity prices will have declined that much. Here an absolutely gilt-edge bond proves an excellent "spec" for real profits.

On the other hand, an ordinary stock selling at 85 and paying $5, without any security other than the residual earning power it commands after all senior obligations have been satisfied, in a period of slow growth and declining commodity prices might be fortunate to earn anything at all. It could as well sell down to 25, even though it were sound intrinsically. The common stock of any corporation represents the equity. Everything is paid out of its claims and even surplus comes out of its share. Hence, when earnings are brilliant the senior securities obtain their fixed proportion, and the common stock skyrockets, but when business is slow, the senior obligations take about all they can and the common has left to it only the hope that things will shift some time in the future.

It is, of course, true that if business is extremely bad for any corporation the bonds fare as badly as the stock. Hence, the new motto in Wall Street: "If a company's bonds are good, so is its stock; if bad, neither is worthwhile." This captious epigram has great vogue today, as this is an age when all the standard beliefs are being "ripped apart." The argument is not without some merit with reference to junior bonds and preferred stocks but with respect to gilt-edge bonds, it is nonsense. It would take almost a landslide in lost earning power to imperil continued interest payments on most of these high-grade bonds. Even the crash of the St. Paul left the prior bonds intact. The gilt-edge bond buyer is accordingly not subject to most of the discussions now raging as to relative merit of stocks and bonds.

A second very pretty epigram now current holds that stocks give one a chance to win, but bonds only a chance to lose. This belief arises from the fact that a bond cannot receive more than its redemption price at maturity. To which the answer is that bonds make money on the rate of interest and the commodity price level, if bought at the right time. Also many bonds sold at a discount work up to a premium as there are gains in earning power of the corporation issuing them. This reasoning excludes bonds such as convertibles

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THE next issue will contain an elaborate review of the position of preferred stocks and their possibilities in both rising and declining stock markets. It will rate the listed preferred stocks from the investment and speculative viewpoint. This feature is one which will prove of immense value in a permanent way to the entire investing community of the United States.

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that are something more than bonds and such issues as income and adjustment bonds that are something less than bonds.

Gilt-edge bonds, accordingly, are in the best position they have enjoyed since 1880. The only thing that clouds their future is the question of refunding. It is plausibly felt by bond-men that in one sense the bondholder never gets a chance to win. If the rate of interest rises, his bond is called at redemption price, and that is the greatest extent of his profit. The question of refunding is, however, least serious in the case of gilt-edge bonds. Few of these bear premiums above 5%, although here and there a 6 per center is seen. In fact 4% and less are often found on their coupon sheets. No bond enjoying a 4% or 4½% coupon rate is ever likely to be refunded irrespective of the call price. Most of these bonds are redeemable at about 110, although some can be called at 105. A 4% bond maturing in 1942, say, would not pay 110 to refund on a 3.50% basis in 1932. Such a situation is typical. When banker's commission is added to redemption premium, it is seen that only the very high coupon rates, that is 5½% and over, are likely to be faced by the refunding peril. There are fewer of these among the gilt-edge bonds than in any other group.

Naturally the investor dislikes a 5% return or less. He is therefore tempted to shelve the 4.80% bond, say, for the 5.90%. He obtains thereby 1.1% more, and he argues, only an infinitesmally greater risk. The question as to which group is better for investment is not easy to answer. One consideration in favor of gilt-edge bonds should not be overlooked. They are in the best position to take advantage of gains in bond fundamentals, because they are the most remote from the factors that influence stock movements. For example, the junior bond may follow the senior bond to a premium, or, if its earnings margin is thinned, it may follow the stock market recession rather than the senior bond advance. Its collateral value, for this one reason alone, is always likely to be less than that of the gilt-edger. This collateral value in prime bonds is not to be despised. It, in effect, converts them, at will, into cash. In this respect, gilt-edge bonds closely resemble short-term securities. Their collateral value enables them to be used as basis for constructive trading in stocks, from time to time.

Conclusion

Gilt-edge bonds are in the best long-term profit position in more than a generation. Whether compared to junior bonds, preferred stocks or investment common stocks, they are not, as a group, inferior to any in speculative possibilities. The benefits of such advances can be obtained most cheaply, as a rule, by avoiding "legals" and tax-exempts. The sixteen bonds recommended in the accompanying table answers the purpose well. The slight superiority in quality of those yielding less is inconsequential for the investor.

Bond Buyer's Guide

Bonds for Income Primarily

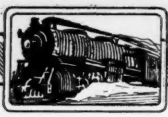
	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
GOVERNMENT ISSUES						
Argentine 6s, 1959..................(a)..	....	....	100	97¾	6.04	6.15
Dominican Rep. 5½s, 1942.........(a)..	6.4	....	101G	97½	5.64	5.80
Haiti 6s, 1952........................(b)..	....	....	100G	98	6.14	6.15
Chile, ext. 8s (due at 105), 1941...(a)..	....	....	110A	108¾	7.35	7.22
RAILROAD ISSUES						
Baltimore & Ohio, Ref. 5s, 1995...(a)..	284.0	1.44	105A	98⅜	5.07	5.05
Genesee Riv., 1st 6s, 1957.......... ..	....	1.44	115	110⅜	5.43	5.30
Great Northern, Gen. 7s, 1936......(b)..	139.8	2.75	....	113¼	6.16	5.24
Kan. City Sou. Ref. & Imp. 5s, '50. ..	30.0	2.07	1.05A	98¾	5.07	5.11
Ky. & Ind. Term., 1st 4½s, 1961.. ..	....	X	....	88½	5.09	5.22
Minn., St. P. & Sault 6½s, 1931.... ..	74.6	1.16	....	102⅜	6.36	5.85
M-K-T, P. L. 5s, 1962...............(b)..	....	1.89	....	101⅜	4.92	4.90
Missouri Pac., 1st & Ref. 6s, 1949.(a)..	126.3	1.24	107½A	106	5.66	5.56
N. Y., O. & W., Ref. 4s, 1992...... ..	....	1.29	....	73½	5.48	5.54
Ogdensburg & Lake Champlain 1st 4s, 1948	....	1.91	....	79⅝	5.03	5.61
Rutland, 1st 4½s, 1941............ ..	....	1.80	....	91	4.95	5.38
San Antonio & Aransas Pass, 1st 4s, 1943	....	2.63	....	88¼	4.54	5.06
Western Pacific, 1st 5s, 1946......(b)..	....	2.26	100	99¾	5.01	5.06
PUBLIC UTILITIES						
Am. W. W. & Elec. Coll. 5s, 1934..(b)..	....	1.32	102½	97	5.13	5.36
Commonwealth Power, 6s, 1947.....(b)..	....	4.28	105T	104	5.76	5.66
Hudson & Manhattan, Ref. 5s, 1957.(b)..	5.6	1.98	105	96½	5.19	5.36
Kansas Gas & El. 1st 6s, 1952.....(a)..	....	1.71	107½T	105¾	5.66	5.58
Laclede Gas, C. & R. 5½s, 1953...(b)..	10.0	1.58	105T	103½	5.29	5.25
New York Dock, 1st 4s, 1951......(a)..	....	2.73	105	83⅜	4.77	5.21
New York Edison, 1st 6½s, 1941...(a)..	38.0	3.71	105G	115⅛	5.68	5.09
Ohio Pub. Ser., 1st & Ref. 7s, '47..(b)..	4.0	2.61	120T	114¼	6.14	5.81
United Fuel Gas, 1st 6s, 1936......(a)..	....	5.72	105	102⅝	5.84	5.62
Western Union, 6½s, 1936.........(a)..	20.0	11.20	....	110¾	5.91	5.07
INDUSTRIALS						
Am. Smelting & Ref., 6s, 1947.....(a)..	....	4.92	107½T	109	5.48	5.28
Anaconda, 1st 6s, 1953..............(a)..	16.9	1.34	105T	103⅛	5.82	5.76
Bethlehem Steel, P. M. 5s, 1936.... ..	5.1	2.20	105	97¼	5.16	5.31
Central Steel, 1st 8s, 1941.........(b)..	....	4.90	....	121¼	6.57	5.90
Goodrich, B. F., Co., 1st 6½s, 1947 ....(a)..	....	5.35	107A	105¼	6.26	6.09
Hershey Choc., 1st Coll. 5½s, 1940.(a)..	....	5.18	103T	101⅞	5.37	5.34
Int. Paper, 1st 5s, 1947............ ..	....	7.26Y	102½	95⅞	5.28	5.33
Sinclair Pipe Line, S. F. 5s, 1942..(a)..	....	4.46	103	93	5.37	5.66
So. Porto Rico, 1st Coll. 7s, 1941..(a)..	....	3.31	105G	107¼	6.52	6.15
U. S. Rubber, 1st 5s, 1947.........(b)..	2.6	2.91	105T	93½	5.35	5.54

Bond's for Appreciation of Principal Primarily

	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
RAILROADS						
Chicago Gt. Western, 1st 4s, 1959. ..	....	0.90	....	69	5.79	6.22
Central New England, 1st 4s, 1961. ..	0.2	0.67	105	75	5.33	5.65
Erie, Gen. Lien 4s, 1996........... ..	91.6	1.44	....	71¾	5.57	5.62
Int. Gt. Northern, 1st 6s, 1952.....(b)..	....	1.34	107½T	105	5.71	5.65
Mo. Pacific, Gen. 4s, 1975.........(a)..	219.9	1.24	100T	72¾	5.40	5.62
Rock Is., Ark. & La. 1st 4½s, '34..(b)..	....	1.48	105T	94⅛	4.78	5.35
New Haven Deb. 6s, 1940..........(b)..	49.4	1.48	105	100¾	5.94	5.93
Western Md., 1st 4s, 1952......... ..	2.3	1.18	....	74	5.40	6.00
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968...(b)..	....	1.52	105	96¼	6.23	6.26
Indiana Nat. Gas, Ref. 5s, 1936.... ..	....	1.89	....	97¾	5.11	5.29
Manhattan Ry., Cons. 4s, 1990..... ..	....	0.86	....	65⅝	6.09	6.19
Market St. Ry. 1st 7s. 1940.......(a)..	....	2.38	106½T	97	7.16	7.12
Montreal Tramways, Gen. & Ref. 5s, 1955 ....(b)..	21.4	1.31	104T	98	5.39	5.48
N. Y. & Richmond Gas, 1st 6s, 1951.(b)..	....	1.06	105G	103½	5.80	5.74
INDUSTRIALS						
Ajax Rubber 1st 8s, 1936..........(b)..	....	2.23	110	103¼	7.74	7.53
Col. Industrial 1st Gtd. 5s, 1934... ..	5.3	1.16	105	90¾	5.51	6.70
Consolidation Coal 1st & Ref. 5s, 1950	8.0	2.52	107½	82½	6.08	6.42
Commercial Credit, Coll. 5½s, 1935.(a)..	....	2.74	105T	93½	5.91	6.40
Republic Iron & Steel, Ref. & Gen. 5½s, 1953 ....(a)..	11.2	4.48	105TA	96¾	5.69	5.73
DEBENTURES						
Am. Chain, S. F. Deb. 6s, 1933....(a)..	....	6.84	105	101	5.94	5.72
Am. Type Founders, Deb. 6s, 1940.. ..	....	....	105	102⅜	5.86	5.77
Liggett & Myers, Deb. 7s, 1944.... ..	....	5.88	....	122½	5.72	5.08
Youngst. Sheet & T. Deb. 6s, 1943. ..	29.3	4.09	105	103⅞	5.78	5.65
SHORT TERMS						
Industrial Bank of Japan 6s, Aug. 15, '27	....	....	100A	100	...	6.00
Gen. Petroleum 6%, April 15, '28.......	....	5.18	101T	101⅝	...	4.90
Sloss-Sheffield P. M. 6s, Aug. 1, '29....	1.7	4.55	105	103	...	4.85

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

X—Guaranteed by proprietary companies. Y—Recent earnings about $2.16. A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later.



RAILROADS

Can the Rails Now Finance With Stock Instead of Bonds?

Meaning of the Southern Railway Financing

By EDWARD S. PURDY

THE recent announcement by the Southern Railway Co. of its plan to issue ten millions par value stock immediately and twenty millions thereafter has been the first concrete evidence of the much-heralded re-entry of the rails into the stock financing field. True, there have been many other issuances of stock in the last few years, but none were simple, public stock offerings in the sense of the Southern Railway plan. Initially, present stockholders are to receive "rights" in connection with the offering, but, of course, such rights will be the subject of active trading in the market at large.

Especial significance attaches to this move by Southern in view of the recent decision of the Interstate Commerce Commission concerning Chesapeake & Ohio. The petition of that railroad for authorization to issue additional bonds was summarily rejected on the ground that it was in an excellent position to command public support for stock sales.

It is felt generally that the capitalization of the rails is top-heavy in bonded debt, and that the balance should now be redressed by the sale of stock. No sooner had the I. C. C. adopted this belief as a governing principle than it became clear that for many roads, especially those in a strong position, further bond issuance was scarcely possible, in view of the strength and popularity of their common stock issues. These roads have no option left but to do further important financing either by common stock sales or out of earnings. Roads in a less fortunate position are not so restricted, but in such cases the bond debt structure is usually one of the salient reasons for their continuing weakness. Here, too, further bond issues appear to be interdicted, in large part.

What the rail stockholder wants to know can be divided into two parts. The first concerns the prospect of receiving valuable rights. The second concerns the earnings per share as affected by either stock or bond financing.

What the market wants to know is whether an epoch of rail stock financing will advance or depress quotations on standard rail stocks. These three questions must be studied in some detail, before a satisfactory answer can be made revealing profit or loss possibilities in each alternative.

Admittedly, a large element of present market strength in rails arises from the rather restricted number of shares constituting floating supply in the market. Is this as satisfactory a foundation for market quotations as larger issues of stock enjoying great investor popularity? The market question centers on this phase.

Rail Stock Financing Has Been Small

The history of a decade throws much light on the present railroad capital structure. In 1914, the total capital of rails was 19.4 billions of which 8.6 billions represented stock or 44.6% of capitalization. In 1924, capital had increased to 21.7 billions, and stock only to 9.3 billions, or 42.8% of capitalization. In 1917, stock issued exceeded nine billions so that the increase in stock outstanding was almost negligible. For example, in 1925 the rails issued only 30 millions in stock. Much of this stock issuance was by branch rails, etc., and represented a mere administrative change. Of securities authorized by the I. C. C. in 1925, out of 907 millions, common stock represented but 27 millions, or 3%! It is obvious that this type of financing, if carried further, would result ultimately in a two to one ratio of bonds to total capitalization. All sound canons of finance condemn such a tendency. When it is remembered that even of the stock capitalization a large part consists of preferred stock with a fixed rate of interest, it will be seen that compulsory or semi-compulsory obligations weigh down the entire capital structure.

In consequence of more than a decade in which common stock financing was small, the value of the static common stock, both as to assets and earnings, has become much greater. What is more, since railroad stocks were limited in amount, they were bought at favorable prices in 1921 by shrewd and wealthy investors for long-term profits. Naturally, floating supply of these stocks has become further diminished. All this is favorable from a market viewpoint.

Advantages of Bond Financing

Despite the almost universal condemnation of bond financing for the rails, much can be said for such a procedure. Its obvious advantage is that the railroad borrows at a lower rate of interest. Where bonds of a system will sell for 4.75%, it is not uncommon to see the stock selling to yield 5.75%. Also, additional stock financing is usually carried on by selling stock at par to shareholders in a fixed ratio to their present holdings, so that if current dividend be $7, the railroad corporation is financing on a 7% basis, even though its stock sell in the market to yield 5.75%.

Why Southern Railway Can Now Be Financed by Common Stock Sales

	Earned per share Common ($)	Equity in subsidiaries' undistributed earnings per share ($)	Dividends per share Common ($)	Surplus per share after dividends (Southern Ry. only) ($)	Net tangible assets per share ($)
1921..	Def. 0.81	...	...	Def. 0.81	147
1922......	4.85	0.68	...	4.85	151
1923......	10.11	3.24	...	10.11	158
1924......	12.31	3.82	3.75	8.56	166
1925......	16.32	5.10	5.00	11.32	177
1926 est.	17.00	3.50	7.00	10.00	182

Hence, the advantage of bond financing from this viewpoint. In addition, taxation enters the picture. A railroad earning say 30 millions, pays out 12 millions in bond interest. Its net taxable income is, therefore, 18 millions. Federal tax thereon is 2.27 millions. Common stock (assuming no preferred) is entitled to 15.73 millions. In other words, the taxes are levied upon net earnings after fixed charges. The amount available for bond interest is not taxable, whereas that for dividends is taxable. Hence, a railroad in adding to its stock capitalization is not only depriving the older stockholders of the earnings that represent the difference between bond interest and dividend payments, but also of the Federal tax that accrues on this difference. Of course, the value of the rights makes up to some extent for this difference. It is important for the stockholder in any road to compute whether or not he would be the loser by the balance of earnings and taxes on the one hand and the value of "rights" on the other.

In the case of a road whose present bonded debt is less than half the capitalization, and whose dividend basis is far greater than its bond coupon rate, such as the Atchison, whose funded debt is only 44% of all capital, all the advantages would appear to be on the side of further bond financing. What is more, an even more elementary consideration applicable to all roads, good and bad, militates against stock issues. If the Transportation Act means anything, it means that upon actual valuations, fully 5¾% must be earned by the rails. In such an event, upon completion, of valuation, what difference would it make whether there were or were not a top-heavy capitalization? Assuming that the total capitalization consisted of funded debt, equal to valuation, and that this funded debt paid 5%, guaranteed return would be 5¾%, and there would be a balance to surplus. There are many who hold that the earnings guarantee under the Transportation Act, accordingly, have made futile the old analysis of "balanced structure" even for the less prosperous rails.

While this general argument can be diregarded, on account of its remoteness, rather than on account of its logic, it appears clear that there is a more immediate practical argument arising from the attitude of the I. C. C. Since the Commission has held that wherever it is at all possible, further financing should be effected by way of stock rather than bonds, we are certain to see increasing stock issues, wholly apart from economic logic. It remains to expound the practical advantages that are likely to flow from extended stock financing.

Only one reservation is needed. The volume of stock financing is going to be very much limited, not by theory, but by the abundant working surpluses of prosperous rails at this moment. There are not very many rails in great need of stock financing at the present.

One fundamental reason for stock financing is apparently not flattering to stockholders. It is based on the fact that the dividends on common stock need not be paid, so that whenever earnings are poor, the elimination of dividends will enable the railroad to survive. On the other hand, funded debt interest cannot be evaded, so that if business is bad, this burden is added to all the other misfortunes of the railroad which may be involved.

For a road such as Atchison whose interest is earned five times over, as an average, such a point is merely academic, but for a road such as Missouri Pacific, it is important. Missouri Pacific and New Haven are good specimens of roads whose improving earnings make stock issues not altogether impossible at some time in the near future, but whose debt structure is such that a redressing of the balance between stocks and bonds would be helpful in times of adversity.

Other arguments are more or less derivative. The example of customer ownership in the utilities, where a wide stock diffusion arrays a large element on the side of the company in a rate struggle, is not quite so cogent when applied to the rails. A national regulatory body and a large area of operations alike make the analogy with the utilities not altogether applicable. There are 14.5 million people directly interested in railroad profits at this moment and they are quite enough for the purpose of impressing Congress. The only other reason advanced for stock financing concerns the apparent profit of the rails due to high earnings per share when business is good, and the despair of the stockholders at extremely low earnings per share, when business is poor. These extremes are due, of course, to the fact that common stock issues form a small proportion of capital, and a residual proportion at that. The "teeth" of this argument are removed when it is realized that the I. C. C. thinks in terms of return on total valuations, and not on stock issues alone. No one has seen comparatively steady earners of the Atchison variety fluctuate much less under market enthusiasm than the thin equity stocks like 'Frisco. All rails were cheap in 1921, and all have advanced considerably since confidence has been restored.

Since the attitude of the I. C. C. makes stock financing possibilities larger than would seem warranted on a strict economic basis, it behooves investors to enquire where such financing is to be effected. Southern Railway with a debt ratio of two to one as against stock issues is an execellent example of a progressive rail with a good future. Its capital structure is the heritage of a past that no longer has any significance for the road. Southern, disregarding intermediate fluctuations, could easily sell at 175 by 1930. The right of preferred and common stockholders to subscribe at $100 to one share for every 18 shares of common or preferred held by them, presents, therefore, an opportunity not to be disregarded. Naturally when the remainder of the authorized 20 millions comes into play, other rights will accrue, perhaps more valuable than these initial rights.

Among other roads, Atchison has increased the powers of its directorate with reference to issuance of authorized capital stock; New York Central has added 100 millions to its authorized capital stock, but principally to take over subsidiaries; Illinois Central has for several years issued stock, on a periodical rights basis valuable to shareholders, thereby increasing the true yield of the stock and it will probably continue this policy; Southern Pacific ought soon to expand its dividend from $1.50 to possibly $2.00 in order to "sweeten" the market for a new stock issue, especially to compensate the road for its really stupendous expenditures on betterments in the last few years. The recent dividend action of Pennsylvania has been widely interpreted as preparatory to further stock sales. Apart from "rights" and increased dividends, convertible preferreds of the Missouri Pacific type, or convertible bonds are, of course, linked up with the future of stock issues as well. D. & H. 5s, of 1935, Norfolk & Western 6s of 1929, occur to mind, but such possibilities are not notable.

Undoubtedly the stimulation of Southern's stock offering is all that was needed to bring about a greater market interest in the possibilities of rail common stock financing. The investor should watch the possibilities in the companies given before. Nor is it needful to watch only the more solid rails. The manner in which Boston & Maine shareholders took up a salvage subscription to stock last year shows that faith in railroad stocks has been re-established.

THE next issue will contain a special article on the future of railroad earnings. In view of the present irregular trend for business and the outlook for a recession in the early part of next year, it is essential for investors to ascertain so far as possible how the pending situation may affect railroad earnings. We shall also publish a list of industrial stocks which are over-rated, giving the facts that seem to indicate why they should be disposed of. There are other valuable security features in the next issue.

Thumbnail Sketches of Twelve Common Stocks

Representing Companies With Increasing Earning Power

1.—Corn Products Refining Co.

Prosperity Influenced by Commodity Prices

THE rise in the earnings of this company is of interest as an illustration of the recuperative powers of a fundamentally sound enterprise. It should not be inferred that Corn Products was ever in any danger of having its profits eliminated. It was simply a matter of relativity. Net income dropped to 7.2 millions in 1925 after having attained levels in excess of 10 millions for the three successive years immediately preceding.

Inability to maintain the same high rate of earnings was due almost entirely to a combination of an inflated corn market and a depressed sugar market. The high price of the principal raw material naturally had the effect of reducing the margin of profit, whereas low sugar prices had a decided bearing upon the demand for sugar substitutes, products in which the company specializes. That this peculiar situation was the direct cause of Corn Products' lower income is clearly brought out by the sharp recovery in earnings which attended the collapse in the corn market.

The present shares were placed on a $2 annual dividend basis in 1924 when a change in par value from $100 to $25 in conjunction with a 25% stock dividend had the effect of a five for one split-up. The dividend was earned by a slight margin last year, but three months ago recognition was given to the enhancement in profits through a 25 cent extra payment which may be duplicated or increased at the next dividend meeting in December. The company is so well entrenched financially that it can conservatively pay out a good portion of its earnings. *The common at 45 has semi-investment merit, and under more favorable market conditions than at present might well enhance in value.*

Corn Products Refining

	1920	1921	1922	1923	1924	1925	1926 (6 mos)
Net Income (millions)	$12,6	$6.2	$10.2	$10.3	$10.8	$7.2	$5.4
Common Earnings on basis present capitalization ..	4.36	1.81	3.39	3.46	3.81	2.16	1.80
Common Dividends (millions)	3.0	3.0	4.5	4.5	5.0	5.1	2.2
Working Capital (millions)	25.7	16.7	38.9	35.1	40.5	42.2	†

†Not available.

2.—Central Railroad of New Jersey

An Outstanding Example of Financial Strength

IN 1925, Central of New Jersey earned a balance of $13.11 a share. In the first eight months of the current year, net income recovered sharply, running at a rate to indicate a balance of more than $20 for the common stock for the full twelve months, thus bringing earning power back to the level of 1924 and the pre-war standard. The slump in 1925, of course, may be traced to increased expenses and reduction in gross revenues on account of the anthracite coal strike, for Central is an important carrier of hard coal.

Central of New Jersey has long been regarded as a "rich man's" holding because of its relatively low yield which, in turn, is based upon several factors other than direct per share earnings. The company traces its corporate history back to 1847. In the course of development, it has acquired valuable land holdings, waterfront and terminal properties which constitute an immense reserve of "hidden assets." Moreover, some of the leading eastern trunk lines have been looking covetously upon Central as a possible acquisition in consolidation plans. Finally, the road has substantial equities in marketable securities, largely purchased out of sums realized from sale of its anthracite coal lands in 1921. The possibility of a special disbursement out of this fund is not to be ignored.

Hence, while the road has been a liberal dividend payer in the past and seems well able to maintain its current $12 common payment, the question of income return is not so important to investors in the stock as the possibility of larger benefits at some time in the future. *Admitting the probability of wide price variations, at 270 the stock has promising possibilities for the patient holder.*

Central of New Jersey's Six-Year Record

	Total Operating Revenue	Net Income	Total Surplus	Earned $ per Share	Divs. Paid $ per Share	Price Range High	Price Range Low
	Millions of Dollars						
1920	$51.68	def. $13.04	$44.27	def.	$10	240	175
1921	52.42	20.24	61.52	*77.83	14	209	186
1922	49.49	0.02	81.33	0.01	10	245	184
1923	57.38	0.63	82.54	2.28	12	231	175
1924	55.47	6.19	85.02	22.55	12	295	199
1925	55.09	3.60	85.29	13.11	12	321	265

*Includes $19.99 millions dividend income principally from Lehigh & Wilkes-Barre Coal Co.

3. *General Railway Signal Co.*

A Remarkable Record of Expansion

General Railway Signal

Capitalization

Bonded Debt .... None
Preferred 6% Cum..... $2,575,900
Common, No Par..... 325,000 shs.

Year	Earned Per Share	Divs. Paid Per Share
*1923........	$3.24	....
*1924........	3.33	$1.0
1925........	5.06	2.65

* On basis present capitalization.

GENERAL RAILWAY'S rapid expansion in earnings is directly attributable to the popular demand for greater safeguards in steam railroad operation. True, the public has not voiced its opinion volubly enough to attract attention or make the matter one of the so-called "live issues" of the day. Nevertheless, the fact that the Interstate Commerce Commission has taken positive steps in this direction is sufficient evidence of public sentiment.

When the railroads were turned back to their owners in 1920, after the period of government operation, Congress gave the I. C. C. power to make the installation of train control devices mandatory. For some time, nothing very definite was done, but in 1922 the Commission took definite steps to enforce its powers. Since that time, the leading railroads have been installing automatic train control equipment, to the end that the main lines of the principal roads may ultimately be thoroughly protected by such devices in the interest of greater safety in operation.

General Railway had already attained a strong position in the manufacturing switch and signal equipment. By virtue of development and research in the field of automatic train control, it was well situated to secure a generous share of business in the automatic train control field and has been one of the chief beneficiaries from this new industry. Not so very long ago, the company added another important department to its line in the manufacture and installation of a "car retarder" system.

Income prior to 1925 was derived largely from the older lines of manufacture and, on the average, reflected a well established earning power. Last year, however, net scored a remarkable gain following the steady accretion of orders for train control installations and indications point to further substantial expansion this year. Thus, on the basis of present capitalization, net profits were equivalent to $3.33 a share for the common in 1924 compared with $5.06 last year. Earnings in the six months ended June 30, 1926, revealed a further striking gain, being $5.78 a share, or more than the full year's showing in 1925.

Following a five for one split up in October, 1925, the common stock was placed upon a $4 dividend basis and extras of 75 cents have been disbursed thus far in the current year. *The common is sensitive to general market fluctuations and hence purchases should be deferred for the present, even though the issue appears attractive around* 78.

4. *International Nickel Co.*

Making Steady Progress Under New Conditions

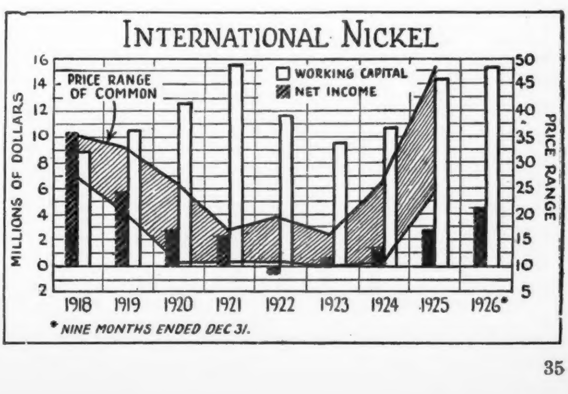
THE consistent rise in earning power of International Nickel since the post war depression in its industry is a tribute to management. Prior to the war, the company enjoyed a good demand for its output in commercial channels, but the use of nickel in armament manufacture was much the most important source of its business. The period of hostilities, of course, greatly stimulated consumption of nickel.

In the readjustment that followed, earnings fell off seriously, a situation that was aggravated by the dumping of surplus metal stocks and later by the movement toward limitation of armaments among the leading nations. International Nickel met these conditions by courageously attacking the problem of regaining old industrial markets and developing new outlets for nickel alloys.

Primarily a producing company, its extensive and long lived ore bodies in the Sudbury district of Canada give Nickel a practical monopoly in its sphere. It has turned this natural advantage to excellent account. On the one hand, the company has fixed prices with moderation, thus maintaining demand for nickel in its original markets and encouraging its use in fields developed through the company's own research laboratories. At the same time, activities have been extended from the business of producing to fabricating so that the company is now a manufacturing as well as a mining and refining enterprise. Monel metal, an alloy of nickel and copper, has been gaining favor in commercial fields aided by aggressive merchandising on the part of the company.

The effects of diversification and development are seen in Nickel's earnings since 1922 when operations resulted in a deficit of $797,747 compared with net income of 4.24 millions in the nine months ended December 31, 1925. Dividends, suspended in 1921, were resumed in 1925 at the current $2 rate. The trend of earnings has been steadily upward in recent years. While the yearly gains are not spectacular, they are suggestive of further sound expansion.

Net profits were equivalent to $1.49 a share for the common in the six months ended June 30, 1926, against $1.38 in the same period a year ago. *Continuation of this improvement, which seems probable, renders the common an attractive long pull holding despite the relatively low current return at prevailing prices around* 34.



5. *Chicago & Northwestern Ry. Co.*

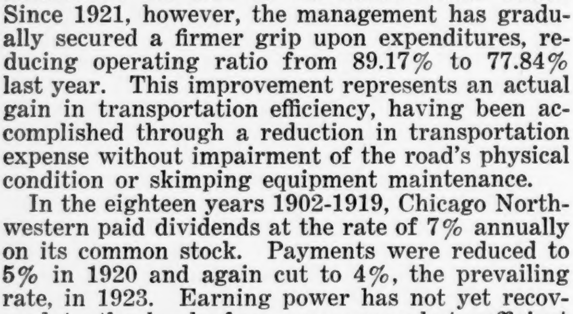
Earnings Reflect Increasing Operating Efficiency

BASED upon estimated earnings for 1926, this northwestern carrier will show an increase in net of nearly 30% over 1925. This gain, though exceeded by several roads, is noteworthy nevertheless. Chicago Northwestern is one of those companies that have been laboring under the handicap of an inadequate rate structure with little tangible evidence of relief because of the difficulties of agriculture in the territory which it serves.

Despite this situation and the bogy of Panama Canal competition, the road's volume of freight traffic has mounted steadily. Thus, in 1925, Northwestern realized a gross operating income of 148.54 million dollars which compares with 97.98 millions in 1916 and a record total of 165.69 millions in 1920. In the last named year, however, the road was able to show a balance of but $7.10 a share for its common stocks with the aid of the Government guaranty while in the earlier year it earned $13.36 a share.

This great discrepancy between gross and net income is readily explained, of course, by the rapid rise in operating expenses, common to the railroad industry in the post war period and especially marked in the case of the northwestern roads. Since 1921, however, the management has gradually secured a firmer grip upon expenditures, reducing operating ratio from 89.17% to 77.84% last year. This improvement represents an actual gain in transportation efficiency, having been accomplished through a reduction in transportation expense without impairment of the road's physical condition or skimping equipment maintenance.

In the eighteen years 1902-1919, Chicago Northwestern paid dividends at the rate of 7% annually on its common stock. Payments were reduced to 5% in 1920 and again cut to 4%, the prevailing rate, in 1923. Earning power has not yet recovered to the level of pre-war years but sufficient strides have been made to indicate that the road is definitely on the up-grade. It has shared in the prosperity inherited by all railroads this year. In the light of results now being achieved, it is reasonable to anticipate an increase in dividend payments in due course, though Northwestern still has a long way to go to restore the pre-war rate. *As a semi-speculative rail, accordingly, the stock has good long range possibilities and is worth watching for opportunities to purchase in a more settled market. It is now selling around* 73.



6. *National Dairy Products Corp.*

Integrating the Milk and Ice Cream Industry

National Dairy Products

Year	Book Value of Plants (Millions)	Sales of Companies Owned Dec. 31, 1925 (Millions)
1923....	$8.0	$83.3
1924....	10.8	91.1
1925....	41.3	105.4

Year	Dividend	Price Range High	Price Range Low
1923.....	$3.0	....	....
1924.....	3.0	44¼	30⅛
1925.....	3.0	81⅞	42
*1926.....	3.0	80	53

*To date.

THE phenomenal growth that has taken place in this enterprise launched less than three years ago is the result of both external and internal factors. While in the main the enhancement in income may be attributed to the wholesale acquisition of new companies, it is also true that a steady increase in the business of the individual units has occurred. Sales of the constituent companies owned at the close of 1925 totalled 105.4 millions for that year as against 13.6 millions reported in 1923 for the two concerns which comprised the organization at the time of incorporation. Applying the corporate status as it existed on December 31, 1925, to previous years, for the sake of a fairer comparison, it develops that the sales of the companies owned on that date stood at 72.5 millions in 1922, so that the 105.4 millions reported last year represented a genuine increase of nearly 50% in three years.

The dividend rate on the common has remained unchanged from the start at $3 per share per annum even though the structure, both capital and physical, is so completely transformed. Originally there were no capital obligations other than the common, but the exigencies of expansion have made it necessary to create a funded debt in the form of 15-year 6% notes and two issues of preferred stock. Both preferred and common have been employed as a means of payment for properties acquired, with one exception.

It is almost futile to attempt to calculate exact earnings per share prior to this year on account of the constantly changing complexion of the setup. On any basis of figuring, however, it would appear that National Dairy Products in every year has succeeded in showing its $3 dividend earned by a good margin, and, judging by the $4 reported in the first six months and the seasonal increase anticipated in the last half year, indications point to earnings close to $9 per share for 1926, or three times dividend requirements.

National Dairy Products appears to have handled its finances with exceptional smoothness while the scope of its activities has been constantly enlarged. The question at this time is as to whether some digesting process will not be necessary before the common stock presents any great attractions. *In the present unsettled state of the market it is hardly a bargain at* 65, *although well worthy of observation in the event of a decline.*

7. *Loew's Inc.*

Well Rounded Unit in Motion Picture Field

Loew's Inc.

	Net Income (Millions)
1920	$2.1
1921	1.8
1922	2.3
1923	2.4
1924	2.9
1925	4.7

	Dividends Paid (Millions)
1920	$1.1
1921	1.4
1922	0
1923	0
1924	2.1
1925	2.1

THE rise in the earning power of this company was occasioned by the enlargement of its activities to include the production and distribution of moving pictures. Previous to that operations were for the most part confined to the exhibition of pictures and vaudeville in a chain of controlled theatres throughout the United States as well as in foreign fields. Revenues derived in this manner had been fairly stable but not unduly impressive as far as actual share earnings were concerned.

The acquisition of the common stock of Goldwyn Pictures at a time when the affairs of that picture producer were progressing none too smoothly has proved to have been a highly profitable investment. Goldwyn has made rapid strides to the front, and is contributing profits to the parent organization far in excess of anything displayed heretofore. In addition, Loew's is receiving the benefit of earnings derived from a number of additional theatres formerly owned by Goldwyn, including the Capitol in New York.

Earnings applicable to Loew's common capital stock for the years ending August 31 increased from $2.78 in 1924 to $4.44 in 1925, and to an estimated figure of around $6.50 in the year just ended. In spite of greater profits the dividend has remained unchanged at $2 per annum since the resumption of payments late in 1923. It is understood that this will continue to be the basic rate, but it is planned to distribute additional amounts from time to time in the form of extra dividends.

The combination of activities in which the company is engaged provides a certain measure of stability to a business which is inherently fluctuating in character. The chain of theatres comprises 105 houses, which will be increased by 20 in the near future. The revenue derived from these moderately priced theatres can be counted on with more assurance than in the case of the profits from the production of pictures, and the former tends to serve as a back log for the latter.

The trend of the stock over the next few months, apart from the influence exerted by general market conditions, should be determined to a considerable extent by the policy formulated in regard to extra dividends. *The shares at 44 have discounted a rate larger than $2 per annum, but do not appear overvalued on the basis of current earnings. In fact indications point to a further increase in profits in the ensuing year.*

8. *V. Vivaudou, Inc.*

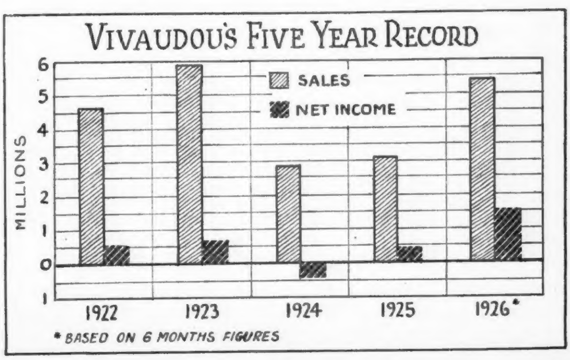
Converting Losses into Good-Sized Profits

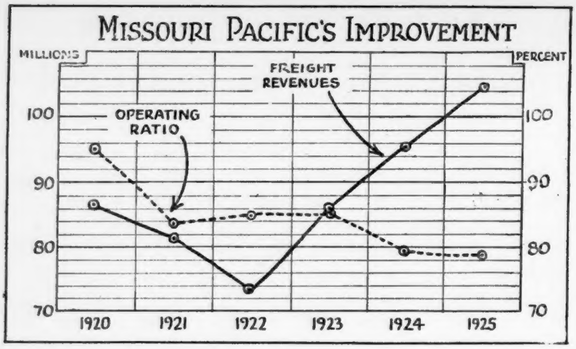
RESTORATION of the earning power of this business may be credited almost entirely to the factor of management. Considering the established position enjoyed by its perfumes and various toilet preparations, the severe slump which occurred in 1924 is really more surprising than the subsequent recovery. Late in 1924 the dominant share in the management passed to the Schulte interests and almost immediately a complete transformation took place.

It is indeed unusual for a stock selling below $5 per share, as was the case with Vivaudou at one time in 1924, to find itself upon a $3 dividend basis within two years. This was accomplished by more experienced merchandising, a wider outlet for the products, and, above all, the elimination of all extravagance in operation. It is significant that the difference between the $1.31 per share earned in 1925 and a deficit of a similar amount the previous year was made possible to a much larger extent by a reduction in expenses than increase in sales. Sales gained $185,000, but cost of sales and selling and administrative expenses totalled about $664,000 less. In a business of this size, such a saving has a very appreciable influence upon the welfare of stockholders.

During the current year, with the internal situation corrected, it has been possible to concentrate to a greater extent on sales, which have risen to within striking distance of the peak of former years. It is this in conjunction with the operating economies in effect that has been responsible for the remarkable increase in earnings in evidence up to date. An amount of $2 per share on the common was reported in the first six months, a rate more than three times that of last year.

Interesting as the recent history of Vivaudou has been, the prime consideration at present is of course concerned with what lies in the future. It is unlikely that the $3 dividend would have been established if the management had not felt a reasonable confidence in its retention. Permanency of such a rate alone would entitle the shares to a somewhat higher level than around 31 where the yield is nearly 10%. Moreover, the enterprise has hardly been in the hands of expert merchandisers a sufficient length of time to have reached the limit of its sales possibilities as yet. *Vivaudou stock around 30 is still in the speculative class, but as such offers fair prospects.*





9. *Missouri Pacific R. R. Co.*

Remarkable Development of Reorganized Road

THE sustained and accelerated earning power exhibited by Missouri Pacific in the last three years has been an outstanding feature in railroad affairs. The road emerged from reorganization in 1917 when conditions confronting all the carriers were assuming a decidedly unfavorable aspect, and it was not until 1924 that sufficient earning power was developed to cover the preferred dividend rate in full or leave a balance for the common stock. The combination of constructive policies formulated by a new management and a definite turn for the better in the railroad situation has been reflected in steadily increasing revenues and a net income in 1925 equivalent to $10.65 per share on the preferred and $4.90 on the common, and there is every indication that these figures will be surpassed in the current year.

Progress has not been confined to enhancement in earning power. The company has accomplished more in the way of expansion in recent years through the acquisition of a controlling interest in other lines than any other large system. Control is exercised over Texas & Pacific and New Orleans, Texas & Mexico through ownership of a majority of the stocks, while the latter road in turn owns the common stock of International-Great Northern. In addition, 50% of Denver & Rio Grande Western is held by Missouri Pacific. Besides the advantages accruing from the rounding out of the system, there is considerable potential earning power in the securities thus acquired. Texas & Pacific, for instance, has inaugurated dividends on its preferred and is in a position to take similar action on the common, while Denver & Rio Grande Western and International-Great Northern are gradually working out their salvation. New Orleans, Texas & Mexico is already a steady dividend payer.

Immediate interest of course centers in the time at which Missouri Pacific will take action towards liquidating the arrears in preferred dividends amounting to nearly 40%, nothing having been paid since the reorganization. This will in all likelihood take the form of additional stock in lieu of cash, although it will no doubt be accompanied by the placing of the preferred upon a regular 5% basis. *Based on the results achieved to date, there are grounds for believing that eventually both preferred and common will take their place among standard railroad issues of their respective types. The short term outlook likewise is fair.*

10. *Phillips Petroleum Co.*

Large Gains for Three Successive Years

OCCUPYING an important position among the independent oils, earnings of Phillips Petroleum have responded in striking fashion to the improvement in the oil situation during the last two years. In fact, annual increases in net before depreciation and depletion have been recorded since 1921 in spite of the protracted depression in the industry.

The policy of the company has been to issue new stock at fairly frequent intervals in the belief that the benefits to be derived by expansion would more than offset the additional capital obligations created. No par capital stock outstanding at present amounts to approximately 2.4 million shares as against 697,000 in 1922. In spite of this substantial increase, there is little doubt that 1926 will eclipse all previous records in per share earnings. It is not possible to accurately estimate results for the full year, as deductions for depreciation, depletion and development are variable and are not determined until after the close of the year, but assuming the same proportional allowances as in 1925, net income after all charges should approximate not far below $8 per share, as against $5.21 in the previous twelve months. There are no capital obligations prior to the common except a negligible amount of equipment trust notes.

It may seem surprising to some that Phillips should persistently remain below $50 per share in the market in face of such earnings. Its failure to enjoy a sustained advance is in line with the action of practically all of the better independent oil stocks, which have scarcely at all participated in the bull market of recent years. While formerly favorite mediums for speculation, the action of the oil shares has proved disappointing so often that for the time being they are unpopular.

Phillips is primarily a producer of crude oil, although the output of natural gas gasoline is rapidly assuming larger proportions. In order to maintain its position, a producer must continually expend substantial amounts for the acquisition and development of new properties. Liberal deductions from current earnings for such purposes, as well as for depletion of old properties, are altogether legitimate and proper. *Phillips is showing up exceptionally well, but its future hinges largely upon the worth of new oil lands, acquired, and upon how well the oil situation in general shapes up.*

Phillips Petroleum

	Barrels Crude Oil (millions)	Gallons Gasoline (millions)	Net Income Before Depr., Depl. and Dev. (millions)	Number Shares (millions)	Price Range H.	L.
1920......	1.9	2.5	$6.2	.66	44	27
1921......	2.8	5.0	3.9	.66	34	16
1922......	5.5	13.3	9.2	.7	59	28
1923......	8.8	35.1	12.5	1.2	69	20
1924......	9.4	62.5	15.7	1.9	42	28
1925......	9.4	119.9	21.2	2.4	47	36

11.—Jewel Tea Co., Inc.

Metamorphosis of Unique Merchandising Company

A MERE difference of about 2½ millions in operating profits was sufficient to convert Jewel Tea from a big loser in 1920 to a profitable enterprise in 1925. This illustrates what can be accomplished in a relatively small business by greater efficiency in operation. Net sales in the latter year were actually 3.4 millions smaller than in 1920, but the lower volume of business was able to produce a net income equivalent to $26.38 on the preferred and $5.14 on the common as against a deficit amounting to $65.94 on the preferred in the earlier period.

Jewel Tea is a manufacturer and direct-to-consumer merchandiser of staple groceries. It imports, blends, roasts and packs all the coffee sold to customers. The plants are located in Chicago and New York, but sales are conducted largely in rural communities from trucks operating over more than 1,000 regular routes.

The rapid reversal in the trend of earnings was accomplished mainly through the elimination of unprofitable territory, stabilization of labor, and the concentration on fewer products, which has done away with the necessity for heavy inventories, one of the principal difficulties encountered in the post-war deflation. Profits have been recorded in every year since 1920, but were retained in the business from then until April 1, 1925 when dividends at the rate of 7% were restored on the preferred stock after a lapse of 5½ years. At that time there were dividend arrears of $36.75 per share of preferred, but an initial payment of $2.50 was made on account of accumulations and has been continued since at the rate of $2.25 a quarter. There now remain $23 to be liquidated. On the present basis, therefore, $16 per share annually is being disbursed on the preferred. The shares are currently quoted around 122, a price which discounts the situation somewhat.

In the present year a further gain in the margin of profit has been in evidence. The 28 weeks ending July 17 showed an increase in sales of 4.3 millions and operating income was more than doubled as compared with the corresponding period last year. Indications point to at least $7 per share earned on the common in 1926.

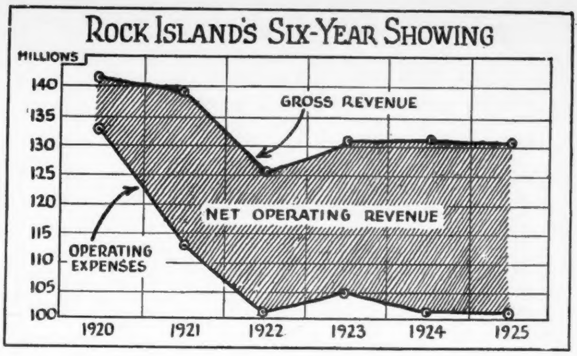
The common stock at 37 has long range possibilities, but in view of the back payments still due on the preferred, appears to have a sufficiently high valuation for some time to come.

Jewel Tea Co., Inc.

Preferred—7% Cum.—29,700 shares ($100 par).
Common—120,000 shares (no par).

	1920	1921	1922	1923	1924	1925	1926†
Net Sales (millions)	$17.6	$11.2	$10.2	$12.6	$13.6	$14.2	$7.9
Operating Profit (thousands) ...	1,710*	383	102	714	774	749	541
Earned on Preferred	$65.94*	$8.92	$4.18	$17.15	$23.49	$26.38	$19.28
Earned on Common		.58	...	3.08	5.00	5.14	3.90

*Deficit. †28 weeks.



12.—Chicago, Rock Island & Pacific Ry. Co.

Current Showing Reveals Unexpected Possibilities

PRIOR to this year a general presumption had prevailed that this road would eventually become a part of the Southern Pacific system. The latter had already acquired the El Paso & Southwestern, the connecting link between itself and Rock Island, and nothing except a satisfactory agreement as to terms seemed to stand in the way of the larger merger. The announcement in January last that St. Louis-San Francisco had purchased a substantial block of Rock Island stock, therefore, was in the nature of a distinct surprise.

Rock Island covers a wide range of territory, but its capitalization is rather ponderous, and earnings on both capitalization and property value have left a good deal to be desired. It is true that dividends on the two preferred issues have been regularly paid, but the margin of earnings has been small, and no return on the common has been forthcoming since the reorganization in 1917. On the other hand, the common stock represents less than 25% of the total bond and stock capitalization, a situation whereby a relatively moderate increase in gross revenues makes an appreciable difference in the balance available for the common.

The hopes engendered by this unbalanced structure seem to be in process of realization. Whether or not the change can be attributed to the influence of Frisco management, the monthly reports of earnings this year have shown a remarkable improvement which has reacted most favorably upon the surplus after charges. Final results of course will depend on what can be accomplished in the remaining months of the year, but figures to date indicate common stock earnings anywhere from $8 to $12 per share as against $4.56 in 1925.

Another favorable development, although of earlier origin, was the profit derived from a turnover of St. Louis Southwestern stock, purchased for control, but subsequently resold to Kansas City Southern.

In view of the enhancement in earning power, hopes as to early dividend action on the common are running high. The liberal attitude on the matter of dividends on the part of Frisco management is well known, and on this account the prospective rate in some quarters is placed as high as $5 per annum. *The main consideration, however, is that Rock Island is rapidly reaching a position to reward stockholders, and on this basis the common at* 62 *is not excessively priced.*

Adams Express Co.

American Railway Express Co.

American Express Co.

Wells, Fargo & Co.

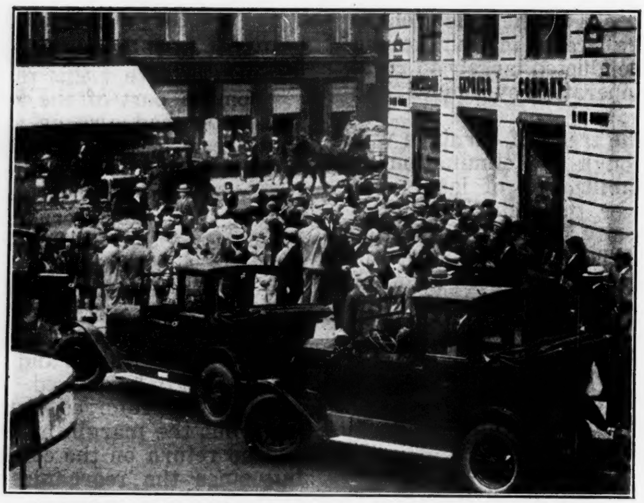
Express Companies as Investment Trusts

Newer Aspects of Four Old Companies —Which Is the More Attractive Issue?

By J. PAUL LYNCH

WHEN the investor thinks of express stocks his mind jumps naturally to the grand old names of the "Big Three" which once dominated the business—Adams Express Company, American Express Company and Wells Fargo & Company.

It is somewhat of a shock to realize that Adams Express, American Express and Wells Fargo no longer are express companies at all and that American Railway Express, a comparative newcomer, handles all the business in this country which was theirs for nearly three-quarters of a century.



At the Paris office of American Express Co. any morning at 9 a. m.

American Express began business in 1850; Wells Fargo in 1853 and Adams in 1854. Their growth accompanied the great expansion of rail transportation and territorial development in the latter half of the nineteenth century and added a romantic touch to the history of this swiftly moving period. It is easy to recall stirring adventures of the Wells Fargo stage coach and pony express, as well as daring train robberies in which the American or Adams express agent was a leading figure.

The express business was not only romantic but also highly profitable. Securities of the big express companies were eagerly bought by investors, and proved themselves amply worthy of this confidence. Wells Fargo began dividends in 1872, American Express in 1882 and Adams in 1892. In the period until formation of American Railway Express in 1918, Adams and American Express preserved unblemished dividend records and Wells Fargo omitted payments only in the single year 1893. There was a memorable 300% extra by Wells Fargo in 1910 and Adams stockholders recall 1907 as the year when every share of stock received an extra in the form of a $200 collateral trust bond. All three stocks customarily sold above $200, frequently above $300, and Wells Fargo achieved a record high of $670 in 1909.

Whether these companies would have been able to meet present competition in the form of motor trucks, U. S. Parcels Post and numberless small express services will never be known. In 1918, the Director General of Railroads inspired the formation of American Railway Express Company with $40,000,000 capital to take over all domestic transportation and express assets of the "Big Three," as well as those of the Southern Express Company. Stock in the new concern was given to the forming companies and also was offered to the public. In December, 1920, the Interstate Commerce Commission authorized the permanent consolidation of the express businesses in the American Railway Express Company.

As a result of this decision, Wells Fargo, shorn of its express properties, is now in process of liquidation; Adams Express has become a coupon clipper, deriving the bulk of its income from investments, including that in American Railway Express; and American Express has concentrated its attention on foreign fields and developed an extensive international banking, forwarding and travel business.

American Railway Express, the newcomer, is the only "express" stock which represents an actual business in speedy transportation of merchandise.

WELLS FARGO & CO. There now is little public interest in Wells Fargo. In 1918, the company turned over its express properties to American Railway Express and in return was given $10,466,700 stock in that concern. This amount was considered the fair depreciated book value of the property turned over.

The company then withdrew entirely from business and began a liquidating process which by May 14, 1926, had reduced the par value of the stock to $1 and total assets to $620,373. In October, 1924, it distributed 95,869 shares of its American Railway Express holdings.

Shortly thereafter American Express interests offered Wells Fargo stockholders $12.50 a share for their holdings. This offer was accepted by stockholders enough to give American Express control, and soon afterwards Wells Fargo distributed 7,989 additional shares of its American Railway Express holdings. American Express received probably about 4,000 shares.

Gradual reduction of capitalization has been affected; and at the present time the only securities outstanding are 239,674 capital shares of $1 par. The former par of the stock was $100; this change has been the result of liquidation. Against these securities the company has total assets, chiefly in stocks, bonds and notes of $620,373. There also is a reserve of $135,000 maintained against possible suits. *The stock is quoted around $3, which seems a fair present valuation of the amount ultimately to be received in liquidation.*

AMERICAN RAILWAY EXPRESS CO. On June 22, 1918, American Railway Express Co. was incorporated in Delaware to take over practically all the property used in the domestic express transportation business by Adams Express, American Express, Southern Express and Wells Fargo. In addition, the company leased until 1920, and then bought the express properties and equipment of Northern, Great Northern and Western express companies.

Operations to August 30, 1920, were conducted under a government contract which guaranteed the company against loss but yielded no income. One month later uniform express contracts were concluded individually with practically all the railroads by which they agreed to transport express matter for the company on a basis which gives the latter 2½% of the net income therefrom, as well as a further share in certain excess profits.

This agreement, which has been extended to February 28, 1929, may be terminated by the carriers after August 31, 1927, but only on condition that they purchase the express company's property. American Railway Express also may terminate the contract but in this case the carriers are not obligated to buy its properties.

At present, the company does all the railroad express business of the United States, with the exception of Southern Railway system and a few smaller lines. By the terms of its contracts with the carriers, it is practically assured of net income slightly more than sufficient to pay the $6 dividend on its stock. After the expiration of the contracts, if favorable renewals cannot be effected, the railroads have the option of purchasing the property on their respective lines.

Capitalization is confined to 346,420 shares of $100 par capital stock outstanding, compared with an authorized 400,000 shares. Control rests with Adams Express which on December 31, 1925, held 119,143 shares, and with American Express which now holds an estimated 134,599 shares, leaving about 92,678 shares in the hands of the public.

Average annual earnings since termination of the government contract in 1920 have been equal to $6.93 a share. For the current year they should approximate the average, as $3.20 a share was earned in the first half, against $2.97 in the same period of 1925.

In the five years ended 1925, express revenues declined only 1.4%, whereas operating expenses were cut 19.6%, and ratio of operating expenses to express revenues dropped from 61.8% to 50.4%. A consistently strong treasury condition has been maintained, balance sheet of December 31, 1925, showing current assets of $35,217,150, including more than $23,800,000 cash, against current liabilities of $28,432,362.

The 2½% of net revenue received by the company from the carriers under the uniform contracts amounts practically to a fee for use of American Railway Express capital and management. The stock usually sells between $75 and $80, so that the $6 dividend returns 7.5% or slightly better. This relatively high yield seems to measure adequately the small margin of earnings over dividend requirements, as well as uncertainties regarding the basis on which uniform express contracts with the carriers will be renewed following expiration of the present agreements in 1929. *The stock has possibilities but at present these are too uncertain to warrant a definite opinion.*

ADAMS EXPRESS CO. Adams Express is a voluntary partnership of individuals, and stockholders assume personal liability for its debts.

There are outstanding $13,091,500 collateral trust 4% bonds, of which $7,298,000 mature June 1, 1947, and $5,793,000 on March 1, 1938. These amounts are gradually being reduced by purchases in the open market when conditions are favorable. Capital stock is authorized to the extent of 120,000 shares $100 par, of which 100,000 shares are outstanding.

When Adams turned over its express business to American Railway Express in 1918, it was given stock in that concern and now owns 119,143 shares which are carried on the balance sheet at par. Active operations were gradually abandoned and at present Adams Express is practically an investment concern. Its payroll and office expenses are about $65,000 annually, and bond interest around $518,000, against which is an assured income from investments exceeding $1,500,000 annually, and increasing steadily.

Current dividend rate is $6, whereas earnings for the five years ended 1925 averaged $9.53 a share annually. Trend of earnings is upward as shown by income of $8.05 a share in 1920 compared with $9.97 last year and probable net of more than $10 a share for the current year. Asset value of the stock, as shown by the company's reports with holdings of American Railway Express carried at par, has increased from $78.73 a share in 1920 to $166.09 in 1925. If American Railway Express is figured at $80, its usual approximate price, book value of Adams stock would show an increase from $54.92 a share in 1920 to $143.26 at the close of last year.

This splendid accomplishment is the more noteworthy when it is realized that a 1920 deficit of more than two millions was converted, as of December 31, 1925, into a surplus of $5,766,495. Appreciation in value of security investments was the chief factor in this change, but it was also due largely to profitable liquidation of claims since the express business was given up, and conservation of resources through omission of dividends for a few years.

At present Adams is in the enviable position of having its expenses practically stationary, while income and assets are steadily increasing due to reinvestment of surplus earnings above the present $6 dividend requirement. Belated appreciation of this situation was behind the recent advance in the stock, though the rise was accompanied also by talk of further appreciation in value of the company's security investments, and of possibilities of a larger dividend.

This last is obviously a likelihood rather than a possibility since the business is now so constituted that the bulk of income might readily be distributed as dividends. Earnings justify such action. With assured income of around $10 a share Adams could conservatively raise the dividend rate to $7, and even an $8 rate would impose no hardship on the treasury. Floating supply is comparatively small. It is not a very active issue but maintains a fairly consistant price movement. The range this year has been between 136 and 100. Any demand for the stock usually causes a sharp upturn.

At the recent price *(Please turn to page 44)*

Vital Data on Express Companies

	Amer. Ry. Express	Amer. Express	Adams Express	Wells Fargo
Bonds	none	none	$13,091,500	none
Capital Stock Outstanding ...	$34,642,000	180,000 shs.	$10,000,000	$239,674
Net Working Capital	6,784,788	(1)$5,066,822	651,862	Def. 9,229
Five-year Aver. Earn. Per Share	6.93	(2) 8.15	9.53	......
Estimated 1926 Earn. Per Share	7.00	(3) 13.00	10.00	......
Dividend Rate ...	6.00	6.00	6.00	......
Recent Price	80	120	120	3
Yield on Recent Price.	7.5 %	5.0 %	5.0 %	......
% Estimated Earn. to Recent Price.	8.7%	10.8 %	8.3 %	......

(1) Surplus and Reserves. (2) Six-Year Average. (3) Including American Express Co., Inc.

Today and Tomorrow in Radio

Commercial Aspects of an Industrial Infant Prodigy—Reduction of Companies in the Field

By WARREN BEECHER

THE ancestry of long distance communication dates back to the sound or smoke signals of primitive man; but measureable progress is evident only during the past century on the application of electricity. Wire telegraphy is scarcely one hundred years old, while it is necessary to go back but thirty years to the birth of modern radio. Since the initial experiments of Marconi, when signals were successfully transmitted across three miles of space at an expenditure of power sufficient today to reach half way across the Atlantic, the path of radio has been blazed with progressive achievement. First utilized for the guidance and safety of ships at sea, later between ships and shore, the science, after the World War, reached a stage of development sufficient to link the continents; drawing together the four corners of the world in a system of transoceanic radio far more extensive and direct than any conceivable cable system.

Nor did progress halt at commercial communication. In 1920, the Westinghouse Electric & Manufacturing Co. put in operation the first radio broadcasting station at East Pittsburg, Pa. Received immediately with popular acclaim, no branch of an industry has recorded such rapid growth as that achieved by broadcasting in a brief six years of existence The expenditure of over 500 millions this year by the listening public for equipment, supplemented by the sums disbursed by commercial enterprises for advertising via radio, to say nothing of the investment of the larger broadcasting interests in stations, affords some criterion of the magnitude of its development.

TWO MAJOR DIVISIONS In considering the radio industry today there are these two major divisions: communication and broadcasting. The former being the older has naturally reached a more advanced stage of economic development. Irrespective of time or weather, direct communication among the countries of the world is an established fact. Through the stations of the Radio Corporation of America it is not only possible to communicate with ships traversing the seven seas, but through working agreements with foreign companies, to transmit or receive messages directly with the principal countries of Europe, or with equal facility to bridge the Pacific to reach Hawaii, the Philippines or Japan. Southward the circuit extends to Central America and the Argentine. When the huge station known as Radio Central was opened on the North shore of Long Island in 1921, the initial message sent by President Harding was received by no less than twenty-eight countries.

The importance of radio to navigation needs little emphasis. It has recently been estimated that 11,500 ships, flying the flags of 48 different countries, are equipped for communication. The object is not only to safeguard in time of distress, but contact is maintained throughout voyage with ports of clearance and destination. Medical advice is available via regularly constituted service, and the radio compass is frequently employed for guidance.

In view of the rapid strides of intercontinental radio the question of the effect on cable business is frequently raised, and not without reason. Radio now controls 30% of the trans-Atlantic and 60% of the trans-Pacific communication. Moreover, it must be acknowledged that from the standpoint of original investment the balance is markedly in favor of radio. Where the cable is more or less limited in its contacts to its connecting points and those afforded by supplementary land wires, a radio station has a scope, limited only by its power range, to establish direct and instant connection with points not touched by cable, except perhaps through numerous relays.

Furthermore, the land wires which complement the cable system are also open to the radio for contact with inland points. Indeed a considerable proportion of the business handled by the radio stations originates in the interior, traveling over telegraph wires to coastal transmitting stations. Finally, when it is considered that cable rates have been so adjusted that the cost of a radio message is practically on a parity with a cable despatch, the evidence of competition becomes significant. There is, however, one potent, redeeming feature in the cable situation—it is the tremendous demand for communication service. Never in the history of the transmission of intelligence have facilities of all kinds, cable, land wires and radio been so taxed in the volume of business handled as they are today. Apparently, sufficient support is afforded for both wire and wireless, at least for the present. As science advances and public demand warrants further extension, the picture will doubtless take on a different aspect.

Wire communication, particularly cable, is destined for drastic modification on the ascendency of radio, but the very infancy of the latter precludes a clear definition of distant future developments.

BROADCASTING Nothing has caught the human fancy more than the ability to hear what the world is saying. No invention of modern times so fires the imagination as the power to bring unseen personalities, music and entertainment from near and distant points into the home at the turn of a switch. With 5.2 million sets in use, averaging five listeners each, it is a foregone conclusion that broadcasting is more than a passing fad. Many problems loom large in the future, present and prospective economics are somewhat obscure, but the fact is inescapable that the public demands broadcasting. The potentialities for amusement, education, religion, as well as the unification, through its contacts, of the nation, if not of the nations, are too great to be discounted.

FUTURE DEVELOPMENTS In its commercial phases, broadcasting may be viewed from two angles: the manufacture of equipment and the support of broadcasting *per se.* In some companies the two are closely related. In fact the stimulation of the sale for equipment was a prime motive in the inauguration of radio entertainment by manufacturers, and still is an impelling force. It is obvious that the continued sale of sets and accessories is predicated on the quality and variety of material broadcast. For this reason the Radio Corporation has formed a subsidiary known as the National Broadcasting Co. to operate a chain of super-stations throughout the country. In like manner it is to the advantage of Atwater Kent as a manufacturer, the Victor Talking Machine Co. as a licensed user of R. C. A. sets in their instruments, and other producers to make substantial contribution to broadcasting in one form or another.

It is the conviction of some authorities that the dissemination of entertainment can be made to pay through the sale of equipment alone. Three years ago such a plan would have appeared entirely impracticable. The large sales possibilities in what then might be properly termed a craze, gave rise to an inordinate number of companies producing apparatus in quantity rather than quality. Price

warfare became rampant, equipment rapidly grew obsolete, production was carried on without regard for slack season, inventories grew out of balance and many weaker companies went to the wall. With improvement in the art of both transmission and reception and the demand of the consumer for standard high-grade merchandise, only the companies of high repute, soundly backed and selling on brands of acknowledged merit, survived. Even today the process is incomplete, but the number of firms producing is notably smaller.

Following the economic law by which the number of establishments tends to decrease as the aggregate capital of an industry increases, eventually the trade will be largely supplied by relatively few responsible, nationally known organizations. It is, by the way, only these which commend themselves to the investor. Such companies may maintain their own market through a proportionate support of a broadcasting system of high caliber.

It has been estimated that the network of sixteen stations in the American Telephone and Telegraph chain (now National Broadcasting Co.) reaches an average audience of over 15 million. A potential market of this magnitude has naturally made a strong appeal to merchandisers of all descriptions. At the outset it became apparent that radio advertising could not be blatant. It must perforce be largely in the form of establishing a bond of acquaintanceship and good-will between the manufacturer and the public. Hence, the evolution of the entertaining or instructive popular program with the sponsor's identity relegated to a single announcement.

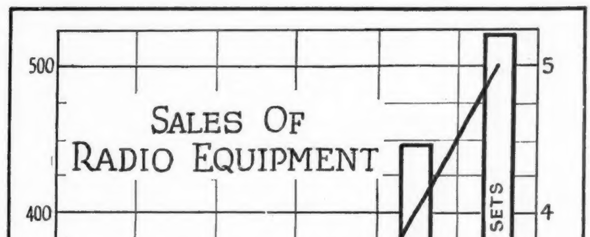
At first many organizations sought their audience through stations owned and operated by themselves; and several hotels and stores still continue this policy but the number is diminishing. The average radius of a single station is relatively small compared to a network of linked stations; the prestige of many single stations is not sufficient to attract the best talent and finally the operating overhead as well as the original investment is tremendously heavy. Of the 1,424 stations licensed by the government since November, 1920, 878 or 62% have been discontinued. Of this number 45% have given up because of an inability to finance, whereas 17% represents the abandonment resulting from unsatisfactory service as compared with larger competing stations. Manifestly the trend in advertising is toward the high powered stations which are linked for country-wide service.

That radio advertising is economically attractive to the merchandiser is attested by the growing number of its adherents. Whether its ultimate development will continue to meet with public favor and so provide the supporting revenue to broadcasting companies is a matter of conjecture. Broadcasting is in a critical period of its evolution financially. As an industry it has so far run at a loss. Neither of its two channels of profit, equipment sales and advertising, seem entirely adequate, but point to a carefully planned correlation of both.

As might be expected in a young industry the future possibilities are entrancing. While the limitations of space do not permit their full discussion it is pertinent to enumerate a few of those whose commercial prospects appear significant. The development of the short wave connotes cheaper transmission through the expenditure of less power as well as a decrease in interference from other stations and static conditions. We are on the eve of supplementing the news service, now in common use, with the transmission of pictures, signatures, etc. Aside from the dissemination of intelligence, the importance of this service in the transaction of international business can be little discounted. The linkage of the present telephone with radio for communication of ships at sea or in inaccessible land points is reaching a high stage of development. Experiments in directional transmission, concentrated to a restricted area, presage a new era in direct communication. And, farthest in the future, but heralded by steady experimental progress, the transmission of electric power stands as a goal of achievement.

The investor in radio securities cannot give more than proportionate weight to these developments, however. The prime considerations are the commercial aspects of the industry today. Several types of enterprise present themselves. The *Radio Corporation* and the *Federal Telegraph* represent complete cycles, being engaged in commercial communication as well as in the manufacture and sale of equipment. *Freshman* and *Freed-Eiseman* are strictly producers of radio sets and appurtenances. *Hazeltine* derives its principal income from its basic patents leased to manufacturers. *Stewart-Warner* manufacture radio equipment as an adjunct of an automobile accessory business, whereas other companies, of which *Victor Talking Machine* and *Brunswick Balke Collender* are types, market Radio Corporation sets in a combination radio set and phonograph.

In any case, whether the company is engaged in communication or manufacture, attention must center on those organizations which have already given evidence of their strength and permanence. Sound financial backing, interests protected in a somewhat involved patent situation and a name that stands for merit are some of the earmarks of a radio company in a position to prosper during the vicissitudes of a developing business.



The growth of the radio industry from a gross of less than 8 million five years ago to indicated sales of 520 million for the current year, is represented above. It will be noted that in the earlier years the sale of parts constituted the major item, as thousands of enthusiasts constructed their own sets. Later, as manufacturing developed and quality of instrument began to compete with mere mass production, the percentage expended for complete sets has increased to approximately one-third of the total. On the other hand, accessories, such as batteries, tubes, speakers, etc., have held their proportionate place. The importance of radio as an institution in the American household is further attested by the curve of sets in use, with the present peak at five million.

Preferred Stock Guide

These stocks are selected as offering the best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeem-able	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
RAILROADS							
Baltimore & Ohio	4 (N)	6.0	No	67	47	72	5.6
Chicago & Northwestern	7 (N)	....	No	125	95	124	5.6
Chesapeake & Ohio Conv.	6.5 (C)	F14.8	115	F130	F96	167	3.8
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	H98	H86	102	5.9
Colorado & Southern 1st	4 (N)	8.9	100	66	47	72	5.6
PUBLIC UTILITIES							
Columbia Gas & Electric Corp.	6 (C)	O4.5	110	O99	O92	98	6.1
North American	3 (C)	6.1	52.50	50	31	50	6.0
Philadelphia Company	3 (C)	6.5	No	49	30	48	6.3
Public Service New Jersey	8 (C)	3.4	No	F119	F95	124	6.3
INDUSTRIALS							
American Smelting & Ref.	7 (C)	2.4	No	115	63	120	5.8
American Steel Foundries	7 (C)	6.6	110	113	78	112	6.3
Associated Dry Goods 1st	6 (C)	4.6	No	102	55	100	6.0
Baldwin Locomotive	7 (C)	2.6	125	117	95	112	6.3
Brown Shoe	7 (C)	3.1	120	109	70	107	6.5
Cluett, Peabody	7 (C)	3.7	S125	110	79	114	6.1
Endicott Johnson	7 (C)					119	5.9
General Motors	7 (C)	F13.9	125	115	63	119	5.9
Studebaker Corp.	7 (C)	25.0	125	125	83	119	5.8

For Income and Profit

SOUND INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeem-able	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
RAILROADS							
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	70	5.7
Kansas City Southern	4 (N)	2.7	No	59	48	65	6.2
Pere Marquette Prior	5 (C)	8.5	100	85	50	91	5.5
St. Louis-San Francisco	6 (N)	9.1	100	92	28	90	6.7
Bangor & Aroostook	7 (C)	2.5	110	F100	F86	101	6.9
PUBLIC UTILITIES							
American Water Works & El.	7 (C)	4.0	110	103	48	105	6.7
Federal Light & Traction	6 (C)	5.0	110	T89	T74	90	6.7
Kansas City Pr. & Lt.	7 (C)	T3.1	115	H109	H91	112	6.3
Hudson & Manhattan R. R. Conv	5 (N)	4.5	No	F72	F25	74	6.8
West Penn Electric	7 (C)	....	115	O100	O96	99	7.1
INDUSTRIALS							
Allis-Chalmers	7 (C)	2.4	110	109	67	109	6.4
American Cyanamid	6 (C)	3.1	120	96	52	88	6.8
Armour & Co. of Del.	7 (C)	H2.3	110	H100	H84	93	7.5
Bush Terminal Buildings	7 (C)	1.1	120	103	87	103	6.8
Commercial Credit 1st	6.5 (C)	....	110	N99	N92	90	7.2
Cuban American Sugar	7 (C)	3.8	No	106	68	103	6.8
Genl. American Tank Car	7 (C)	3.1	110	F104	F86	103	6.8
Gimbel Brothers	7 (C)	4.3	115	F114	F95	101	6.9
Goodrich (B. F.) Co.	7 (C)	F2.7	125	102	62	97	7.2
Loose Wiles 1st	7 (C)	3.3	120	112	93	118	5.9
Reid Ice Cream	7 (C)	T6.9	110	O100	O92	98	7.1
U. S. Cast Iron Pipe	7 (N)	3.7	No	113	38	105	6.7
U. S. Industrial Alcohol	7 (C)	4.3	125	115	84	105	6.7

SEMI-SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeem-able	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	6 (C)	T3.0	100	83	34	83	7.2
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	N89	N80	91	7.7
Consolidated Cigar	7 (C)	2.5	110	96	53	102	6.9
Dodge Bros.	7 (C)	....	105	O91	O73	83	8.4
International Paper	7 (C)	1.6	115	N99	N86	97	7.2
Mid-Continent Petroleum	7 (C)	F1.6	120	F109	F80	98	7.1
Orpheum Circuit Conv.	8 (C)	2.6	110	F107	F84	102	7.8
Pure Oil Co.	8 (C)	4.5	115	F108	F82	109	7.3
Radio Corp. of America	3.5 (C)	3.4	55	54	45	49	7.1
Universal Pictures 1st	8 (C)	7.6	110	O103	O94	96	8.3

SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeem-able	§ 5-Yr. Price Range High	Low	Recent Price	Yield %
RAILROADS							
Chicago, Rock Island & Pac.	7 (†)	1.5	105	105	68	102	6.9
Gulf, Mobile & Northern	6 (C)	1.2	No	109	15	106	5.7
Wabash "A"	5 (N)	....	110	73	18	74	6.8
Western Pacific	*6 (C)	F0.9	105	86	51	81	7.4
INDUSTRIALS							
First National Pictures 1st	‡8 (C)	T4.7	115	N110	N100	100	‡
Goodyear Tire & Rubber	7 (C)	1.7	S110	H114	H35	107	6.5
Remington Typewriter 2nd	8 (C)	3.3	No	113	47	114	7.0
Willys-Overland	7 (C)	....	110	123	23	90	7.8

* Cumulative to extent of 2 yrs. divs. † Cumulative up to 5%. ‡ Participates in excess earnings paid $1.44 extra in March. F—Four years. H—Three years. T—Two years. S—For sinking fund. N—Price range 1926. O—Price range 1925. § 1921-1925.

FOUR EXPRESS COMPANIES

(*Continued from page 41*)

of 120 the stock has discounted immediate possibilities but still is decidedly attractive for its long range prospects

AMERICAN EXPRESS CO. American Express, like Adams Express, is a voluntary partnership of individuals, and stockholders are personally liable for its debts.

When the company transferred its express business to American Railway Express in 1918, it did not, like the other express concerns, withdraw from business altogether, but concentrated on international banking, forwarding and travel, which previously had been a side line. It maintained dividends at a $6 rate, thus preserving an unbroken dividend record from 1882.

Operations on the new basis, however, have not been altogether satisfactory. Gross income has declined almost steadily from 11.7 millions in 1920 to 6.7 millions in 1925, a drop of 42.8%. By cutting expenses 47.6% in the same period, net was made to show a slight increase. In 1921 and 1922 there were deficits after dividends. Average earnings have been equal to $8.15 a share.

Net results of operations in the six years ended 1925 were the addition to surplus of $404,599, and to reserves, $1,024,467. These items jointly are equal to $7.93 a share on the authorized and outstanding 180,000 shares of capital stock which constitute the company's complete capitalization.

The decline in gross was accompanied

(*Please turn to page 62*)

Preferred Stock Guide

COLUMBIA Gas & Electric Corporation is being merged with Ohio Fuel Corporation to form the Columbia Gas & Electric Corporation. Columbia Gas & Electric Corporation, new, when issued, 6% cumulative preferred has, therefore, been substituted for Columbia Gas & Electric Company 7% cumulative preferred in our Preferred Stock Guide. Holders of the latter issue who have not yet deposited their 7% preferred stock under the plan of merger should do so at once in order to receive the 6% preferred stock of the new company. This exchange is being made on the basis of 1 1/6 shares of Columbia Gas & Electric Corporation 6% cumulative preferred for one share of Columbia Gas & Electric Company 7% preferred. It would appear to be to the advantage of holders of stock in the old company to make the exchange for shares in the new since their income return will remain undisturbed and no alteration in security will result. Moreover, marketability of the old preferred stock is likely to be severely restricted henceforth.

Trade Still Active

Fourth Quarter Prospects Mixed—Production Heavy—Prices Trend Lower

STEEL

Caution Noted

UNTIL recently the industry revealed little change from the record activity maintained for the past six months. But now it is evident that consumers are exercising more caution in placing orders. Several reasons for this conservatism have been given. It appears that many consumers overstocked during the third quarter, resulting in ample supply for current needs. Then again a great number of buyers consider present prices too high and are hesitating with a view towards purchasing at lower levels.

Production is still fairly consistent; but a recession from the high rate is noted. The steel lines responsible for this decline are bars, tin-plate, structural shapes and strip. This situation is strongly in evidence among Western steel manufacturers; and is making itself felt in the East. Western companies derive a good deal of business from automobile makers; and the slump in that industry has naturally caused a curtailment in steel buying.

(*Please turn to page* 89)

COMMODITIES

(See Footnote for Grades and Unit of Measure)

	1926 High	Low	*Last
Steel (1)	$35.00	$35.00	$35.00
Pig Iron (2)	20.00	17.00	18.00
Copper (3)	0.14⅜	0.13¾	0.14⅛
Petroleum (4)	2.29	1.78	2.29
Coal (5)	2.17	1.75	2.00
Cotton (6)	0.21	0.12½	0.12⅛
Wheat (7)	2.10	1.45	1.53
Corn (8)	0.84¼	0.69	0.76
Hogs (9)	0.14⅝	0.11⅝	0.13½
Steers (10)	0.11⅛	0.09	0.11
Coffee (11)	0.20⅛	0.15¾	0.15⅞
Rubber (12)	0.98	0.39	0.43
Wool (13)	0.54	0.43	0.45
Tobacco (14)	0.19	0.19	0.19
Sugar (15)	0.04⅝	0.04	0.04⅛
Sugar (16)	0.06	0.05⅛	0.06
Paper (17)	0.03¾	0.03¼	0.03¼
Lumber (18)	24.40	22.90	22.90

*Oct. 25.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full, Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Industry receding slightly as orders for finished steel decrease. Rails continue active support but motors buy much less. Pig iron production and sales still heavy with prices firm.

PETROLEUM—Price structure of petroleum still under fire, abetted by continued, unexpected increases in crude production. Gasoline demand is spasmodic with prices somewhat weaker.

METALS—In spite of low stocks the non-ferrous group continues its unaccountable lethargy in both foreign and domestic markets. Slight weakening in prices, notably in lead, are interpreted as efforts to revive activity.

TEXTILES—Lower cotton prices have increased mill bookings and stimulated purchases. Shipments during first half of October exceeded production. Woolens in good demand but as yet have not made price advances justified by steadily strengthening raw wool. Silk in good statistical position with prices firm.

COAL—Purchasing situation from British standpoint has gotten out of hand. Augmented by large number of foreign and domestic ships coaling and heavy rail and industrial buying, what amounts to a scramble has ensued with rapid price fluctuations trending upward.

LUMBER—Although volume of orders so far exceeds the corresponding period of 1925, slight recession in volume compared to recent weeks is apparent. Growth in favor of steel furniture and automobile bodies of some concern to hardwood interests.

TOBACCO—Excellent prices characterize sales of new crop in Virginia and North Carolina. While the entire crop is estimated smaller than last year, total value is at least comparable. Consumption of cigarettes shows a gain of 11% over 1925 when 88 billion were produced.

COTTON—Government estimate for crop of 17.47 million bales, largest in history, had little effect on a market already plumbing the depths. Ginnings are behind this date last year and the low prices coupled with scarcity of pickers will doubtless result in much low grade cotton being left in the fields.

RUBBER—With stocks large in this country and the tire manufacturers pretty well out of the market, the British government has made another effort to forestall lower prices by a cut in production of all its controlled interests. Success has been at least temporary and prices have strengthened substantially.

SUMMARY—Trade is still well sustained but industry presents a somewhat mixed situation. Some major lines are gradually receding while others such as coal and textiles are coming to the fore. Prices are generally trending lower.

Finish the Job

RECENT articles appearing in the BYFI Department on wills and personal trusts, apparently have aroused considerable interest among the readers of these columns. Numerous personal inquiries bring forth the fact that many of our investors realize that their responsibilities are not ended merely by establishing an estate or accumulating wealth. The next—and equally important—consideration is to safeguard one's estate so that the beneficiaries will actually receive the greatest possible advantage.

After all, nine out of ten men, who set out to build an estate by saving a portion of their annual income and investing these funds judiciously, are inspired with the thought that their loved ones will have adequate material comforts after they are called away. Selfish motives play no part in their plan, excepting possibly the personal satisfaction that one gains by doing something for others and doing it well.

Now, the point arises, "is an unfinished job ever well done?" If the estate builder neglects to make adequate assurance that his beneficiaries will obtain a full measure of material comfort from his wealth, he neglects to finish the task that he has undertaken.

There is little glory for the race-horse that leads around the track but fails to finish in first place. No heavyweight champion has ever held his crown by fighting hard for nine rounds and falling down in the tenth. The first woman to swim the English channel accomplished the feat by battling the tides and stormy waters to the very end.

Still there are men who have exercised admirable courage, patience and thrift throughout their life that they might leave a sufficiency for their loved ones—but failed unknowingly to accomplish their aim by leaving their estate unprotected from the natural ravages of ignorance, carelessness, temptation and the unsavory activities of those who prey on widows and orphans.

For estates of sufficient worth to warrant the expense, the services of a trust company or any other trained and experienced trustee provide this essential protection. For all estates, large or small, however, an effective and essential means of protection may be assured through a *Financial Education in the fundamental principles and methods of handling investment funds.*

A few hours a week and a small investment in suitable financial reading matter places such knowledge within everyones reach. Finish the job!

The Rich Man's Investment— A Poor Man's Speculation

A Few Words of Wisdom from the Sage of Wall Street to the Young Investor

ONE day the Young Investor told the Sage of Wall Street that he wanted to buy some "rich men's investments."

"Rich men's investments are poor men's speculations," grumbled the old Sage of Wall Street.

"But should I buy them?" persisted Young Investor.

'Not if you are seeking Investment ccess," pronounced the old Sage.

at why?" Young men are persistent when they are seeking The Reason.

"For the same reason that you should not buy rich men's automobiles," finally answered the Old Man, "because they are not made for you."

* * *

This tale involves an important point investment counsel which should be f much interest to BYFI readers. Most of us are not "rich men" as the term is used in investment discussions, but, almost every one sooner or later is intrigued by an opportunity of placing funds in that type of security which is glorified by the title "rich men's investment."

> *"Big ships may venture more,*
> *But little boats must stay near shore."*
> *Benjamin Franklin.*

First, we will define the term "rich men's investment." In late years it has come to include many types of securities, prominent among which are the very high-grade tax exempt bonds which (in these days of income tax considerations) have come to be largely held by the wealthy investor. Originally, the term applied to the out-of-the-way securities with more or less speculative flavor which wealthy men frequently purchased—after an exhaustive investigation—because they were obtainable on an attractive basis. We are thinking of the term as originally used.

Almost every investor at one time or another is offered an opportunity to make an investment "in a private venture backed by rich men," as the promoter of the undertaking explains it. He further explains that "this is no ordinary investment," then makes it quite clear that his offering, naturally, cannot be judged by the same criterions that apply to the standard investment securities offered to the public at large. Substituting his own criterions, therefore, he submits facts which are apparently irrefutable; ultimately he concludes with great enthusiasm that "it is a real rich man's investment."

Oh, Rich Men's Investment—what crimes are committed in thy name!

Does anyone like to admit that he is not in the millionaire class when it comes to investment? Have we not all heard how rich men become richer through their courage in backing good propositions in their early years? Is not a 6% income a "piker's" return when compared with the fortunes that rich men make from their courageous security commitments?

It is when these and other similar considerations are introduced into the discussion that one does well to consider the words of the Old Sage of Wall Street. When the borrower says to the Investment Broker, "My proposition is sound enough to be financed by the banks." The Investment Broker replies, "Then go to the banks for your loan." When the promoter says to the poor man, "This is a real rich man's investment," the answer obviously is, "then go to the rich man."

BYFI Makes a Suggestion

to the Inexperienced Investor

These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Approximate Price	Yield to Maturity
Savings bank accounts are recommended for deposit of regular savings, to yield............	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan....	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of............	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½s, 1953.......	103	5.25%

THE NEXT $1,000

†Baltimore & Ohio ref. 5s, 1995..................	98	5.10%
†Commonwealth Power 6s, 1947..................	104	5.60%
†N. Y. Steam Corp. 1st 6s, 1947..................	103	5.75%
†Western Pacific 1st 5s, 1946..................	99	5.10%

*Available in $100 units. †Available in $500 units.

$5,000 FOR INVESTMENT

	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952..........................	96	5.30%
American Sugar Ref. 6s, 1937....................	104	5.50%
U. S. Rubber 1st 5s, 1947........................	94	5.50%
West Penn Electric $7 Pfd........................	100	7.00%
U. S. Smelting & Ref. $3½ Pfd..................	43	8.00%

THE NEXT $5,000(a)

Armour of Del. guar. 5½s, 1943..................	94	6.10%
Nassau Electric 4s, 1951........................	60	7.60%
Western Maryland 1st 4s, 1952..................	74	6.00%
Brooklyn-Man. Tr. $6 Pfd........................	83	7.25%
International Paper $7 Pfd......................	97	7.20%
American Tel. & Tel. common....................	146	6.17%

(a) This group is selected with a view toward probable enhancement in principal.

Meeting the High Cost of Living Under Abnormal Conditions

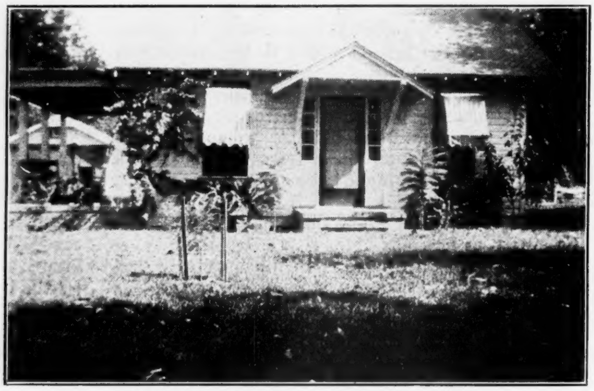
How the Reinvestment of Funds from Securities to a Home Solved a Difficult Financial Problem

By JAMES B. MORMAN

Third Prize Winner

WHEN the purchasing power of a dollar steadily declines, it hits the investor of savings harder than any other class. Whether the cost of living rises suddenly or slowly, the problem is the same in the long run for a family living on a fixed income derived from the investment of savings, namely, to live within one's income without encroaching on the principal.

If the increasing cost of living should force an investor to use up part of his capital investments annually, his ability to live within a moderate fixed income would become more difficult from year to year. This would be due to the fact that, with every diminution of capital invested at a fixed rate, the income as interest or dividends would gradually grow less because of the necessity of consuming a large amount of capital each year in order to maintain the same standard of living.



A home like this may solve your problem

The writer had to face this crucial financial problem within the past two years through conditions beyond his control, and its telling may prove of interest—perhaps be of service some time—to readers of BYFI who may in the future retire from active business life on a fixed income from savings. It is especially important when the savings and the income therefrom are not large. One may be ever so thrifty and provident to maintain a respectable standard of living, yet he will find it hard perhaps to make both ends meet if abnormal economic and financial conditions send the purchasing power of the dollar ever downward as a result of the rising cost of food, rent, clothing and other items of living expenses. It can thus be seen that the family living on saved dollars has a hard problem before it due to the unstabilized prices of necessary commodities and other factors which enter into the cost of living.

A Difficult Financial Problem

Late in October, 1924, I retired from the government service at Washington, D. C., and took up permanent residence in Florida. The bulk of my investments consisted of first mortgage notes on homes and business properties in Maryland and the District of Columbia, totaling about $30,000. But I had other small investments such as the various issues of Liberty bonds, two savings banks accounts paying 4%, shares of stock in a building and loan association and a small amount of bank stock. To meet current expenses I carried checking accounts in two banks of a few hundred dollars each.

The cash and capital investments on hand were approximately as follows: $22,500 in mortgage notes at 6½% and $7,000 at 6%; $1,500 in Liberty bonds which averaged about 4¼%; one savings bank account of $1,200 and one of $1,000 each paying 4%; $200 in building and loan paying 8%; and a few shares of bank stock which up to that time had never paid dividends higher than the modest amount of 2%.

While these investments did not produce a large annual income, under normal conditions it was sufficient for myself and wife with no incumbents, our mode of life being simple and economical. We could well afford a good table and pay a moderate rent for a furnished apartment or small bungalow until we had decided upon a permanent place of residence. Then whether we should continue to rent or buy a home would depend upon various circumstances among which would have to be considered the amount of rent demanded for a suitable residence and the loss of income from diminution of capital investments in case of the purchase of a home.

At the time I removed to Florida economic and financial conditions there were only slightly above normal. Land speculation was only in its incipient stages. It was confined almost entirely to the east and west coast towns and cities. It had produced little or no effect on the high cost of living. Family costs for food, clothing, rent, and so on were reasonable. Our fixed income amounted to a little more than $2,000 a year. But even on this moderate income we could control living costs without endangering our capital investments, and that was our chief concern.

In the spring and summer of 1925 Florida experienced a great increase in population. The state had been generally advertised throughout the country dur-

Building Your Future Income

Prize Contest

ing the winter of 1924-25 as a prospectively profitable field for speculation in land. It will never be known how much money was spent in widespread advertising by real estate dealers, subdivision promoters, local chambers of commerce, towns, cities, counties, and even the state itself. These alluring advertisements caught the popular imagination and Florida became the modern Mecca of tens of thousands who are ever expecting to get something for nothing. Every means of transportation was pressed into service and Florida's population doubled in a short space of time.

But this rapid influx of population had a disastrous effect on raising the cost of living. Food supplies, rents, homes and lands doubled and even trebled in price in a short space of time. No one could escape these abnormal financial effects. They were particularly hard on the working classes and those living on a moderate income. The purchasing power of the dollar kept lowering from month to month. The family with a fixed income was badly short-changed, not because of an unstabilized dollar, but because of a sudden and abnormal increase in population. The demand for food and other necessary supplies for consumptive purposes became so tremendous that transportation companies placed embargoes on all other kinds of freight and express shipments.

The effects of wild land speculation thus became a financial burden on thousands of innocent victims who were seeking to live within their moderate means. We were one family so victimized. We had located near Daytona Beach and had rented a small furnished cottage. But the property changed ownership in the middle of 1925 during the wild scramble for inflated land prices and notice was given that the rent would be doubled in September. This soon became a general practice. A four- or five-room apartment or bungalow which formerly rented for $40 or $45 a month could hardly be procured for less than $75, $100, or even $125 a month, and frequently three or six months' rent was required in advance.

Such rent a family on a small income could not pay in addition to other living costs which also went up like a balloon. Staple foods, meats and vegetables soon became scarce and high in price. Eggs could be had at a dollar a dozen; meat at fifty and sixty cents a pound; carrots, beets, mustard greens and turnips from ten to twenty-five cents a bunch; potatoes at ten cents a pound; tomatoes at thirty cents a pound; milk from twenty-five to thirty cents a quart; butter sixty to seventy cents a pound; bread at ten or twelve cents a loaf, and so on. Everything for table use high in price and not always to be had because of the scarcity.

To provide a substantial table and pay a high rent under these abnormal conditions became a serious problem, and it could not be done on an income of about $2,000 a year. Since no one could foresee how long these conditions would keep up, we determined to seek elsewhere for cheaper living costs in order to live within our fixed income without lowering our standard of life to which we had been accustomed for so many years.

Buying vs. Renting a Home

But where could we go in Florida to escape these abnormal living conditions? Up and down the east coast we traveled seeking a town where the prices of homes and building lots were fair and reasonable; but all in vain. We ascertained on inquiry that prices on the west coast were equally or even more highly inflated. So in June, 1925, we went inland from the east coast some twenty miles where the land speculative craze had not yet extended or, if so, to a limited extent only.

We found such a place in the city of Deland, seat of Volusia County, which had a population of about ten thousand at that time. Our object was to find a bungalow large enough for a family of two, and, if possible, with sufficient land to the lot on which to grow most of the vegetables for table use. We were not bargain hunters in the sense that we expected anyone to sell us a home at a financial sacrifice. But having owned a home for twenty years before coming to Florida, we had a good idea as to what constituted a fair price for a house and lot; and having traveled all over the state a few years before for the Federal Government to report on land values for crop production, I was fairly well posted as to the value of soils for gardening purposes.

We were fortunately able to find just what we wanted —a new four-room, well-constructed bungalow with modern improvements and a wide cement side porch. The lot had a frontage of 80 feet and a depth of 212 feet, or nearly half an acre in size, quite different from the 50 x 100 feet lot so often seen on many so-called "developments." In addition to the bungalow there was a spacious, well-constructed garage.

The accompanying photo shows the bungalow, side porch, and garage, the latter at the back and left of the porch. But what cannot be seen are the magnificent live oak trees, with which the whole property is surrounded, and the fine garden lot behind the buildings. The trees give the premises an air of country life,

(*Please turn to page* 58)

TO meet the costs of living—which are ever changing—and have something left over for saving and investment is the age-old problem of the Income Builder. Every now and again, living costs assume an upward swing and the shoe begins to pinch for those who live on a fixed income. Although the trend, at the moment, is downward except in certain isolated sections of the country, our readers will find much of practical value in Mr. Morman's intimate story of conserving income under abnormal conditions. The secret of success in the author's combat with the high cost of living lies in the placement of his funds, not merely where they will earn a meager income, but where they provide essential comforts of life. The value of his experiences to other readers who are interested in conserving income, won the Third Prize in the recent BYFI Prize Contest.

Insurance Versus Investments

Advice to a Young Man—and Some Older Readers Who Submit Their Problems Concerning Insurance

By FLORENCE PROVOST CLARENDON

Insurance Editor:

I am twenty-six, single, and have no dependents. My insurance consists of an ordinary life policy with double indemnity for accidental death in the amount of $1,000; and a $1,000 group policy covering employees who suscribe to the pension and benefit plan of the company for which I work. The premium on the first mentioned policy is $16.68 per year. My yearly income is about $2,500, $300 of which is interest on bonds and stock dividends.

I feel that it would be wise for me to take out more insurance, but am somewhat confused as to the most advisable type of policy and amount and, therefore, would like to ask your advice. I have always felt that the only real function of insurance is protection and that the investment feature had little appeal because with care and discrimination one can invest his surplus funds in safe bonds and stocks to net a much higher return than obtainable in an endowment policy. Consequently, I favor the ordinary life policy because it gives maximum protection at minimum cost and leaves a balance for investment in relatively high yielding stocks and bonds. Please tell me if you consider this a sound conclusion.

Yours very truly,

L. A. H.

It is reasonable to assume that, while you are now single, you will later on marry and have a family and a home of your own to maintain. You would therefore exercise both thrift and foresight in taking additional life insurance while you are young and presumably in physical condition which will readily permit of your passing the required medical examination.

The Endowment Policy is a "Thrift Policy," under which regular and stated premiums, or deposits, are made to the end that the proceeds of the policy will be paid *to the insured* if he lives to the maturity of the endowment period. You will remember, however, that with the payment of the first premium the insured has created an estate for the full face amount of the policy, and if he were to die *at any time after paying this first premium* and before the endowment matures, the beneficiary under the policy would receive the proceeds. This protection of course must be paid for—just as fire insurance, burglary insurance, and other coverage must be paid for—and this fact must be taken into consideration when comparing the returns under an Endowment Policy with those of other investments.

We would advise that you consider a 30 Payment Life Policy, under which —if taken at your present age of 26— all premiums would be paid up in your 56th year, thus carrying these payments only over that span of life when the income would normally be rising to its height; and ceasing before the older years when most men wish to be free from such obligations. On a non-participating basis this plan at your age would cost about $184 annually for a $10,000 policy. While the premium on the 30 Payment Life Policy is but little higher than that for the Ordinary Life (probably about $3 per $1,000 per year) it has the advantage of a definitely limited premium paying period, and also carries somewhat larger cash, loan and surrender values.

(Please turn to page 79)

General Motors—A Popular Contest

Much Interest in Second Educational Contest Which Closed October 14 — Prize Winners Announced

WITH notably few exceptions, participants in the Second BYFI Educational Prize Contest, which closed on October 14th, correctly placed the name intended by our artist as the GENERAL MOTORS CORPORATION.

In fact, a feature of this contest was the uniformity of opinion expressed by the several hundred contestants concerning the four issues of securities of this famous industrial corporation. Invariably, the two issues of preferred and the debentures were classified in the investment group. When it came to the common stock, there were some dissenters to the general opinion of the majority, to wit, a speculative rating. Even among those who recognized the issue as a speculation, not a few were inclined to qualify their classification with some such comment as "a speculation of the better kind at the right price and favorable market conditions." Few of the contestants, however, considered the junior issue to be at a "buying level" at the prices which prevailed during the contest.

Following the precedent established with the first contest, the names of the prize winners are published at this time as well as the complete answers that won the $25 cash prize. In making a selection of the prize winners, the judges were greatly impressed by the keen discrimination shown by our readers between the many factors that enter into investment and speculation —a fact that made their task especially difficult, but, nevertheless, a most gratifying bit of evidence of appreciation of the fine points of investment. The educational value of these picture contests is now very apparent.

The winning answers appear below:

Prize Contest Editor:

GENERAL MOTORS stock is rep-
þer 25th issue.
resented by the picture in the Septem-
I.—The important products manufac-

Cash Prize Winner

Russell B. Christie,
Saginaw, Michigan

Nine Next Best Answers

J. E. Hollingsworth,
New York City

P. G. Erickson,
Minneapolis, Minn.

Alfred Stuart Collins,
Buffalo, N. Y.

D. L. Chisholm,
Fort William, Ontario

F. J. Campbell,
San Francisco, Calif.

Edmund P. Shaw,
Rutland, Vermont

L. Richard Kinnard
Wynnewood, Pa.

Earl Landreth
Fort Bliss, Texas

P. C. Kurtz
Bloomington, Ill.

tured by this company include: Buick, Cadillac, Chevrolet, Oakland, Oldsmobile and Pontiac passenger and commercial cars; Chevrolet, G M C and Yellow trucks; Yellow taxi-cabs and motor coaches; Hertz Drivurself cars; Fisher bodies; Ternstedt automotive body hardware; Hyatt roller bearings; New Departure ball bearings and coaster brakes; Remy and Delco starting, lighting and ignition equipment; Jaxon wheels, tire carriers and rims; A-C spark plugs, speedometers, air-cleaners, oil filters, mufflers, and decorative tile; Brown-Lipe and Muncie clutches, transmissions, and differential gears; Klaxon horns; Harrison radiators; Armstrong springs; Inland steering wheels and wood parts; Jacox steering gears; Michigan crankshafts; Delco-Light home and farm lighting systems, water supply systems and washing machines; Frigidaire electric refrigerators; cold drawn steel; malleable and gray iron castings; and somewhat intangible products such as Hertz Drivurself car rental and G M A C financing of sales of the company's products. The company is also equally interested with the Standard Oil Company in the production of Ethyl gasoline by the Ethyl Gasoline Corp. in which the General Motors has a 50% interest.

II.—The company has four different classes of securities outstanding at present.

III.—The 7% preferred, 6% debenture stock and 6% preferred may be classed as investments and the common stock belongs in the better class of speculative securities.

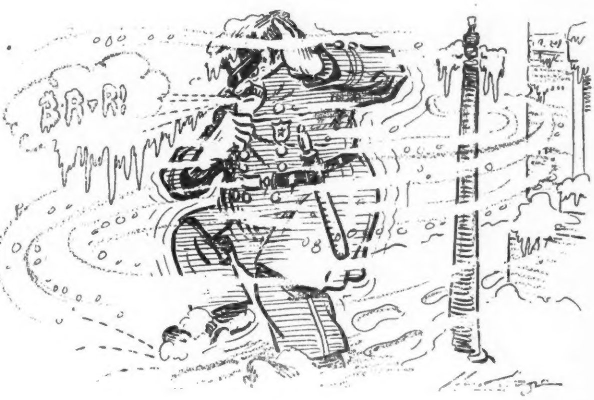
IV.—Although the preferred issues do not possess the qualities of the very highest grade investments, yet they combine a good income return with adequate safety for most purposes. Four-year average earnings equal almost fourteen times dividend requirements on the 7% issue. The preferred stock is well supported by working capital, cash on hand now being more than equal to amount of preferred stock outstanding. There are no prior obligations and stock is protected by junior securities having a market value of well over a billion dollars. Provision is made for election of one-fourth of directors if dividends lapse six months, no dividends may be paid on common unless net quick assets are in excess of 75% of 7% preferred outstanding and mortgages may only be created by consent of three-fourths of preferred outstanding. The investment qualities of the preferred stock considerably outweigh any speculative influences which might affect its position.

Although the book value per share of the common stock is higher than that of many motor stocks, yet it represents only a small part of the market price per share. To a large extent, these shares represent a capitalization of the

(*Please turn to page* 87)

? Can You Answer These Questions ?

A new educational Prize Contest conducted by the BYFI Department with the aim of encouraging our readers to become better acquainted with the more popular Stock Exchange Issues.



WHAT STOCK DOES THIS PICTURE REPRESENT?

(Name the stock that you associate with this drawing—then answer the following questions.)

1—What is the nature of the company's business?

2—What do its most valuable properties consist of and where are they located?

3—How is the company capitalized?

4—What important factor determines the prosperity of the company?

5—Which (if any) of its securities would you consider attractive at present?

How to Win the $25 Cash Prize

The drawing above represents the **NAME** of a certain corporation whose stock is listed on the New York Stock Exchange. First ascertain the name and then with as much brevity as possible give your answers to the other questions. The contest is open to everyone—whether a subscriber to THE MAGAZINE OF WALL STREET or not. Although the questions appearing above have an especially interesting application for the security pictured by our artist, the prizes will be awarded for the best answers, in the opinion of the Editors of THE MAGAZINE OF WALL STREET, whether or not the security intended is correctly named. The first prize is $25 in cash. The nine contestants who qualify with the next best answers will be awarded one copy each of our popular 231-page book, "Financial Independence at Fifty." Send your answers as early as possible to Prize Contest Editor, THE MAGAZINE OF WALL STREET, 42 Broadway, New York City. This contest will close November 25, 1926.

ANSWERS TO INQUIRIES

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The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription. Inquiries from non-subscribers of course cannot be answered.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1. ***Be brief.***
2. ***Confine requests for an opinion to three securities.***
3. ***Write name and address plainly.***

BURNS BROTHERS

What do you think of Burns Bros.? I paid 132 for 100 shares last year, which, as you know, was up around the top. My broker tells me that all is well in the company and that eventually I will have a very nice profit.—D. A. T., Jersey City, N. J.

Burns Brothers has done very well from an earning standpoint in the year to date, each report issued by the company so far having shown an increase in net. Net in the second quarter amounted to $3.60 a share earned on the 97,365 shares of Class A and $1.60 a share on the 97,367 shares of Class B. This compares with $3.21 a share on 80,944 shares of Class A and $1.21 a share on 80,940 shares of Class B in the second quarter of 1925. The improvement in earnings is directly traceable to larger volume of sales and lower sales costs. Motorization of delivery facilities is an important factor in the reduction of costs. The company has negotiated some very favorable foreign contracts which should work out well if the proper transportation facilities are obtained. Finally, the acquisition of the Rubel Company, should such materialize will practically double its capacity in Brooklyn. However, while these various factors are undoubtedly constructive, it is well to bear in mind that the industry served is speculative, and that rapid transitions from affluence to hard sledding are not unknown. In the past, Burns has from time to to time earned dividend requirements by the slenderest of margins, and we are not confident that its problems have been wholly solved. A stock of this character does not seem to constitute a desirable permanent holding.

THE AMERICAN LOCOMOTIVE CO.

Last year I bought American Locomotive at 112. I got the extra dividends as well as the regular ones. What do you think of the prospects of the company continuing its extra dividend policy? I suppose the company is not to be regarded strictly as an equipment manufacturer, but is practically an investment trust. Am I right?—G. A. K., Washington, D. C.

It requires quite some stretching of the imagination to picture American Locomotive as an investment trust, but there is no gainsaying the fact that this company has tremendous holdings in government and other securities. It is understood that interest from this source cuts an appreciable figure in income account. As of June 30, last, working capital of the company amounted to 52 millions, of which over 33.33 millions was in cash or securities. Holdings of government securities alone would be sufficient to pay about three years' dividends on the common. Some uneasiness regarding the maintenance of the present dividend on American Locomotive common has been felt by investors, due to the rather poor earnings of $3.10 per share on the common in the first half year, but in view of the company's very sound finances there is little likelihood of an omission. Trade conditions as yet have shown little tendency to brighten, but in well informed circles an upturn in equipment buying is expected in later months. American Locomotive stock at present yields a fair return, and although market appreciation cannot be expected in the near future, eventual higher prices are not improbable.

AMERICAN CAR & FOUNDRY

I have 20 shares of American Car & Foundry. I bought it in 1919 at 92. How is the company's control of the Brill Corporation working out? Was the move a good one for American Car & Foundry stockholders?—V. E. H., Milwaukee, Wis.

The acquisition of control of the Brill Corporation by American Car & Foundry appears to have been an advantageous move for all concerned. By this development American Car & Foundry rounded out what was already a comprehensive organization serving the railway and highway transportation equipment field. Brill Corporation, on the other hand, was given the benefit of an aggressive and highly efficient management, one which might be expected to derive the maximum of benefit from operations. Commercially, Brill is coming up to expectations. The common stock of the J. G. Brill Company, the operating subsidiary, has been been placed on a $5 dividend basis, and it is understood that income derived from this source will permit the holding company to inaugurate payments, probably at a $4 annual rate, on

(*Please turn to page* 70)

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When to Sell To Assure Profits

A new book; 160 pages, rich flexible cover lettered in gold; profusely illustrated with graphs and tables clearly explaining the way to make profits and—above all—when to convert them into cash. The contents are new and fresh and have never before been published either in The Magazine of Wall Street or in any other publication.

"WHEN to Sell to Assure Profits" presents new principles, as well as improvements upon old ones—based on the new market developments of the past several years. With the tremendous increase in the number of listed and unlisted securities—with new industries continually springing up—with the success of many of these dependent upon conditions in allied or supporting industries,—it is necessary for the investor to have tested principles that will enable him to profit under these new conditions. This new book tells you in simple business English, how to select the most favorable industry today and the most profitable investment in that industry. It also covers fully *that most important principle neglected by investors* (who too often are only good buyers) *"When to Sell to Assure Profits."*

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We have selected this volume for our Special Offer at this time because its *timely, practical appeal and simple presentation* make it a book that every businessman-investor and trader will appreciate and use,—especially as it contains many of the principles upon which the experts of THE MAGAZINE OF WALL STREET base their judgment in the selection of securities for our readers.

CONTENTS

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THE PRESIDENT is the first custom car ever exclusively created for the American business executive and christened in his honor.

It is not alone the finest Big Six Sedan that Studebaker has ever built, but one of the world's finest cars irrespective of price!

Its low-swung custom body is lacquered in ebony with a belt of thistle green and a stripe of Siskiyou yellow, or in Croaton green lacquer with an ebony belt delicately striped in ivory. Luxuriously upholstered in broadcloth or Chase mohair with broadlace trim—its equipment includes disc wheels, four-wheel brakes and a ventilating system (exclusively Studebaker) which insures fresh air without drafts or moisture.

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We want you to see this latest and greatest example of Studebaker's One-Profit facilities. Will you call on The President or shall The President call on you?

S T U D E B A K E R

HIGH TARIFF OR FREE TRADE?

(*Continued from page* 13)

protection of agriculture is shown clearly in a broad general but indisputable way by the fact that for five years farming has staggered under a burden from which it has no relief. During the same period finance, industry, industry transportation and the trades, both as to capital and labor, excepting only the industries related to agriculture, have thriven as never before in the history of the Republic. In this period, first through the emergency tariff act and later through the Fordney-McCumber law, there has prevailed the highest range of customs duties on imports since the birth of the nation. * * * Despite all kinds of conversation and propaganda to the contrary agriculture is losing ground."

Taking up the duties that are supposed to protect the farmer directly, Mr. Brand points out that while 500,000 wool growers are directly benefited by the high wool tariff 30,000,000 farm people are heavily taxed by that duty. Similarly with sugar, where Mr. Brand finds that only 318,000 farm operators are sugar producers while 6,500,000 and their families and employees consume it and pay the duty which has resulted in sugar costing 2.3 cents a pound more. And yet Mr. Brand is not opposed to the protective tariff; he is opposed to the assertion that it benefits farmers with exportable surpluses.

As to the effect of tariff reduction on wages and domestic business, 39 replies out of 55 say it would be depressive of the latter; and 36 out of 54 are agreed that it would lower wages. Four are doubtful on the former and five on the latter. But George Haven Putnam, famous publisher and a life-long advocate of a revenue tariff, points out that the highest American wages "are paid in the unprotected trades, such as that of the builders." He concedes that the tariff is a factor in wage-making, but that it is only one, and often a very minor one.

One of the revelations of the questionnaire is the indifference of the automobile industry (supposedly sure of the home market and eager for the foreign) to the suggestion that lower tariffs are necessary to an expansion of foreign trade. Alvan Macauley, president of the Packard Company says that a lower tariff would be depressive of business and wages and that it is not necessary to an expansion of our exports. At the same time Mr. Macauley frankly admits that he is not "well enough posted" to answer intelligently Question 5, as to whether a low tariff is not necessary, in order to encourage larger imports to pay for growing exports. On this point, other manufacturers say we must increase our imports if we enlarge our exports, and at the same time are firm for no reduction of tariffs. They want protection, though the heavens fall on export trade. But some think our exports of money through tourists, missions, immigrant remittances, etc., will go far to offset increasing exports of goods and foreign loan credits. Still others fall back on the three-cornered international trade theory, that our exports can be paid for through increased non-competitive imports (mostly raw materials), so that there is no necessity for lowering tariffs on competitive articles. That is, for example, to buy automobiles from us, England can sell manufactured goods to Chile; and the latter can sell nitrates to us, placing the proceeds to England's credit here. But none of the answers deals with the sequential critical question as to what will happen to our exports of manufactured goods to Chile if England increases her share of that country's importations of such goods.

Financing Foreign Competitors With American Money

Charles S. Keith, the famous Kansas City capitalist, lumberman and practical economist, thinks that enough goods will come in over the high tariff (Question 5) to give an adequate outlet for exports in exchange. "If not," he says, "we had better forget the interest on our foreign loans. There is no reason why we should sacrifice a 90% domestic market to a 10% foreign market." This remark gives point to Senator Underwood's prediction that nobody in his senses will buy any more foreign paper. If most American industrialists agree with Mr. Keith, the international bankers may find themselves—or their clients—out on a limb with the stubborn protectionists sawing it off to protect the trunk of the tree.

Evidently American business men have no great relish for the financing of their foreign competitors with American money, followed by a demand for reduction of the tariff so that the financiers can collect their interest and dividends. Mr. Keith is typical of most of the Democrats who replied to the questionnaire. He boasts that the Democratic party originated the protective system, but declares that he will vote against it if it declares for a lower tariff. Mr. Keith thinks that all interests want and should be accorded high tariffs, and therefore sees no conflict between manufacturing and agriculture. As the representative of an industry abandoned by the protectionists and that has had practically all of its products on the free list since 1914, Mr. Keith naturally wants the tariff revised upward with respect to lumber. John W. Blodgett, another lumber leader, agrees with Mr. Keith. Free lumber does not cause lumbermen to demand free other goods, though F. C. Knapp, of Portland, Oregon, inferentially sees more exports in consequence of a lower tariff level. Another lumberman, Charles A. Bigelow, of Bay City, Michigan, is not willing to "throw open our markets to the world, excepting under high protective tariff rates:" (!) It's all right if the foreigners have the price of admission.

Speaking of Democrats, B. E. Clement, Waco, Texas, says that if the American business world isn't as strongly for the high protective tariff as ever it ought to be and adds: "I am a Democrat but don't think it necessary to be a damn fool to be one. Never had any sympathy with the demand of the Democracy for a tariff for a revenue only."

Another Democrat, opposed to lowering the tariff, is John H. Kirby, of Texas, one of the most noted industrialists of the South. His statement is given in entirety:

"Should the present tariff be changed? My answer is an emphatic No.

"The Fordney-McCumber law went into effect four years ago. Distress then pervaded every line of productive or manufacturing endeavor in this country. Since that time we have been experiencing one of the greatest eras of progress and prosperity that any nation ever enjoyed throughout all times. We now stand primal before the world; and it would be unwise, I think, to abandon an economic policy in effect while we were making such forward strides, and while we are yet in the midst of such satisfactory conditions as a whole.

"It is reliably asserted that Germany is now so provided with great industrial plants, erected with deflated currency following the war, that she can produce goods on a large-scale capacity —even greater than this country. It therefore follows that with her cheap labor and her disposition to sacrifice in order to restore a trade shattered by the world conflict she could upset the economic structure of America and bring a blasting competition to our producers and manufacturers, if she could send in her goods at lower tariff rates. Other nations are also just as anxious to profit extensively in our markets.

"It should be recalled that even with the present duties, of which some complain, we bought $4,500,000,000 of foreign merchandise last year. If we enlarge our foreign purchases very far beyond that figure, as the advocates of a lower tariff hope, there will be grave danger of turning the balance of trade against us. Agriculture also confronts a perilous position so long as there is a disposition to let foreign products in free or at a less tariff duty than now. Its present problem is overproduction in some lines.

"We have our living standards in this country. If we are to meet unrestricted foreign competition, we must prepare to meet such rewards for our services as the foreigners are receiving for theirs.

"A low tariff at this time would mean idleness for many millions of men and women now engaged in productive industry, and result in soup-houses, bread-lines and general distress."

As to whether the tariff, even generally satisfactory, should be revised to remedy certain evils there is a big majority for revision, but about as many want specific increases as favor lower

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THE PACIFIC COAST COMES OF AGE

(Continued from page 18)

of a budget approaching $100,000,000 for salaries and supplies. There is an enormous publicity value. And they have spotted the largest small-town in the world with a garish Broadway glitter in strange contrast with the folk-ways of the Iowans and Hoosiers who provide the backbone of southern California. Today Los Angeles has easily a million people in its somewhat swollen official area, with half a million more in nearby valleys and cities.

Along with its strong banking resources and its enormously rich and varied natural resources, the Pacific Coast rests upon a water-power development that is the marvel of the public utility world. California's long-distance transmission lines are world famous among engineers. Eighty-two per cent of California farmers have electricity, at very low rates. From the Mexican to the Canadian border stretch a series of great systems capable of providing power for all future needs. Not a year passes without the completion of some great new plant far back in the mountains. Directed and largely financed on the Coast, these great power companies hold a dominating position in the business community and are a quickly mobilized and highly centralized force for directing the future. They work in co-operation with the tax-supported irrigation districts, and the water that grows the fruit is the same water that makes power to light the orchardist's home. California ranks third in the Union in production of electric energy and first in production by water power. Both irrigated acres and power surplus will be enormously increased when millions of acres in southeastern California and in Arizona at length receive the waters of the Colorado.

Seattle shares with San Francisco and Los Angeles the showing of rapid and substantial growth. It has the advantage of the shortest and quickest route to the Orient, and its importations of raw silk bring its import figures close to those of San Francisco. It shares with Oregon a huge lumber industry, and both Seattle and Portland are heavy exporters of wheat. Seattle has besides the Alaskan trade, a great fisheries industry, and is the market for a large part of the Washington apple crop. Its population has passed the 400,000 mark, and its building permits totaled slightly more than $30,000,000 in 1925. Portland, a solid, rich city, forges steadily ahead with a population of well over 300,000.

For instance, California ranks first in oil production. It ranks first in commercial fisheries. It ranks third in the amount represented in building permits for the year ending June 30, 1926, led only by New York and Illinois. It ranks first in rate of population increase, with a percentage gain of 44 for the decade 1910-1920 and a still higher rate of gain since then. It leads the nation in per capita ownership of automobiles, with one car to every three people. Its per capita wealth is $4007. Its public utilities have spent two billions since 1912, and San Francisco has spent $250,000,000 in new building construction alone in the last three years. California ranks fourth in wealth, exceeded in assessed valuation only by New York, Ohio and Pennsylvania. It produces over 35% of all the fruit grown in the United States, and five of the ten counties in the United States having the highest agricultural yield are in California.

The three Pacific Coast states produced manufactured articles in 1925 with a total value of $4,433,847,000. California produced $2,815,000,000 of this amount, of which $1,379,415,000 was produced on San Francisco Bay and $555,898,000 in Los Angeles.

In any long-range view of Pacific Coast progress, a reassuring factor is the great strength of the banking situation. San Francisco leads with a group of banks having resources in 1925 of $1,519,804,625, clearings of $9,479,000,000 and debits of $11,496,000,000. They are directed by men who have inherited the tradition of leadership, whose responsibilities have grown gradually through the years, and who hold public confidence. California's banking structure has been strengthened by the remarkable growth of branch banking, in which it has been a pioneer. There are 603 branch banks in the State, including the seventy-two parent banks. The systems range in size from banks with only one branch to the Bank of Italy with 100 branches and headquarters in San Francisco. Second in size is the Pacific Southwest Trust & Savings Bank of Los Angeles with 93 branches. The Mercantile Trust Company of San Francisco comes third with 57, but it has recently absorbed the American Bank and after January 3 will be known as the American Trust Company and will have 82 branches. The fourth largest system is that of the Security Trust & Savings Bank of Los Angeles, with 48 branches.

Except for the Bank of Italy, which pretty well covers the State, each parent bank confines its branches roughly to the district where its parent bank is situated. Sixty-four per cent of California deposits are in branch banking systems, and 51% of the capital and surplus. As a result, the State's banking facilities include several great reservoirs of readily available capital, of prime importance in a State that is moving at least one important crop every month in the year. Money needed in one section for prunes or grapes in the fall can be used for moving the hay and barley crops or financing the citrus growers in the late winter and early spring. San Francisco's heavy reserves of credit pulled the raisin growers of the San Joaquin Valley out of a bad hole three years ago with a minimum of distress and with no such banking debacle as occurred recently in the wheat and corn states with their large number of weak country banks.

The Pacific Coast is rapidly reaching financial independence of New York. Issues up to $15,000,000 are habitually floated locally and disposed of without difficulty where a few years ago this would not have been thought of. The San Francisco Stock & Bond Exchange ranks second to New York in total sales, and its business is increasing rapidly. Initiative and originality are born of this independence. Just now San Francisco is watching a new sky-line arise on and near Montgomery street, fondly called "The Wall Street of the West." The Standard Oil Company of California began it by erecting a twenty-two story office building. The Pacific Telephone Company followed with a twenty-six story building in the New York vertical style. Now come three towering new structures within two city blocks of each other in the financial district, the highest of which, the thirty-story Russ Building, is to be the largest office building west of Chicago.

MEETING THE HIGH COST OF LIVING UNDER ABNORMAL CONDITIONS

(*Continued from page* 49)

seclusion and restfulness not usual in what is classed in Florida as a "city," even though the population is not large in comparison with so many cities in different parts of the United States.

But in buying this home it was necessary for us to dispose of some income-yielding securities. The cost of the property was $5,250. But putting this amount of money into a home we were assuming a financial liability in the forms of loss of income and the payment of taxes, insurance and upkeep. But there was no high rent to pay, and it became a simple problem of balancing loss with gain.

While taxes and insurance are high in Florida as compared with many other states, rents were also excessively high as has been stated largely because of the sudden great influx of population for which no adequate housing accommodations had been previously prepared. A home such as we bought would readily have rented for $75 a month or more during the land-boom period, and at the present time a similar size bungalow or apartment could not be rented for less than $50 or $60 a month according to location. The question of a high rent, therefore, must still be considered in looking at the problem as to whether or not it was advisable to dispose of income-yielding securities in order to purchase a home under abnormal economic and financial conditions.

In providing funds for the purchase of our home, the securities and investments yielding the lowest incomes were naturally utilized. Thus the $1,500 of Liberty bonds were sold through the Federal Reserve Bank of Atlanta, all of them at a premium plus accrued interest; the savings accounts with interest yielded about $2,250; one of the checking accounts was eliminated yielding some $300 more; the bank stock netted $200; while $1,000 in 6½% notes were turned into cash at maturity.

The loss of income on this basis was reduced to the minimum and was much lower than even a normal rent. The Liberty bonds at an average of 4¼% interest yielded an annual income of $63.75; the savings accounts $88; the 6½% notes $65; and the bank stock $4—a total loss of income of practically $220 a year or less than $20 a month. Even at a normal rent of $50 a month, our expenditures would be $600 a year, a saving of $380 a year in favor of buying a home at that time when loss of income and payment of rent are alone considered. But during the abnormal period our rent would likely have been not less than $70 a month, or $840 a year—a difference of $620.

Of course there are always other expenses attached to home ownership—

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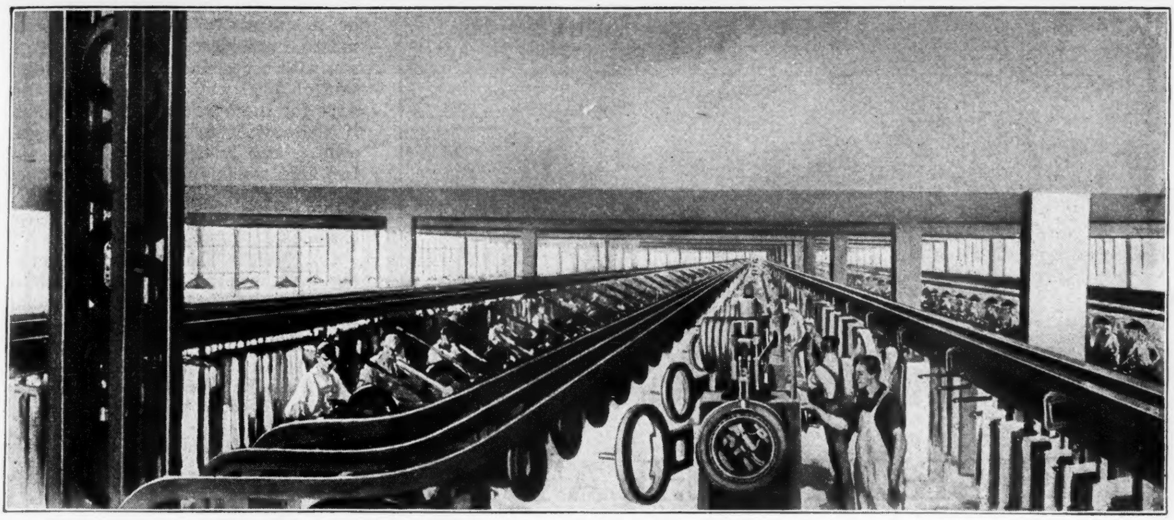


Why Firestone Tires Are Better

Throughout Firestone activities a single purpose runs—to raise tire quality and lower tire cost to car owners. Such vital factors as the selection of raw material—engineering and chemical science; such important processes as Gum-Dipping the cords—are essentials preliminary to actual building of the tire.

The tire-building machines—of Firestone design, and of mathematical precision—are manned by trained tire-builders, specialists who concentrate every movement on the building of a uniform tire. Firestone designed conveyors carry cord plies, beads, cushion, breaker strip, sidewalls and tread to their very elbows. No waste motion, no walking away from their machines to get materials.

Likewise with no lost motion or confusion—no manual trucking—the finished tire is carried away on another conveyor to the curing room, final inspections, wrapping, and directly into cars for shipment.

Throughout every process, the vast Firestone organization functions as a unit. Production is uninterrupted. Fresh air—good light—orderly arrangement of equipment and surroundings—enable machine operators to concentrate on building better tires. In no other way would it be possible to maintain Firestone quality while attaining tremendous quantity production. Here again Firestone illustrates that devotion to the "single purpose" of quality which has made this name everywhere synonymous with Most Miles Per Dollar.

The Mark of Quality

MOST MILES PER DOLLAR

Firestone

AMERICANS SHOULD PRODUCE THEIR OWN RUBBER . . . . Harvey S. Firestone

(*Continued from page* 58)

such as taxes, insurance, upkeep, street improvements, water, and so on—which must be considered in making comparison with rent. But even in Florida the sum of $380 would be a liberal allowance for these annual charges; so that, if there were no other advantages in owning our home, we feel that there has been no financial loss by reducing the amount of our income-yielding investments in order to make the purchase.

But besides the problem of rent—a big item everywhere in the high cost of living—there is that of furnishing the table with plenty of substantial foods. No family can escape the latter wherever it resides. If eggs and vegetables can be produced so as to reduce the cost greatly throughout the year, it is a factor in practical household economy of considerable advantage to a family living on a fixed and moderate income.

To both these ends the climate of Florida has its advantages in that garden crops can be grown every month of the year and poultry need little shelter. Though the soil is thin and sandy, with careful planning vegetables can be grown constantly, the crops being varied according to the month and season. The best results are obtained from October to the end of June following. But even during the hot months of July, August and September, things can be grown for table use such as lima beans, peppers, squash, egg plants, tomatoes, cantaloupes and other crops. During these months much depends upon planning ahead, and a little experience is the best guide in this matter. Moreover, exercise with a hoe at the game of garden golf is much more exhilarating and profitable than a daily round or two on the links. At least such I have found it to be during the past year since I undertook to give a knockout blow to the vigorous though abnormal high cost of living.

As another means to this end I wired off a shelter and run at the back of the garage and have kept a dozen or so of hens. These have not only provided us with fresh eggs, but also a fowl occasionally for the table. Strict account has been kept of income and expenditures, and so far they have proven a very profitable investment. Enough surplus eggs have been sold to pay for the feed, so that we have had eggs at no cost at all.

A year has just passed since we purchased our home and entered upon this plan of living within a moderate fixed income under abnormal conditions. The results have been better than were anticipated. Instead of consuming part of our principal each year, which would have occurred under the excessively high renting and living costs that prevailed during Florida's land speculative boom, we have not only been comfortably housed and had a well-supplied table, but have even been able to save and invest money from our income. I feel, therefore, that we are still among those who are striving to build up a future income and that this experience may be helpful to readers of BYFI.

FOUR EXPRESS COMPANIES

(Continued from page 44)

by a shrinkage in equities behind the stock from $139 a share in 1920 to $119 at the end of 1925. The present figure represents a gain over the book value of $116 a share in 1923, and in fact that year may have marked the turning point in operations. But the business is subject to much inherent risk in connection with foreign exchange. The company must of necessity have large scale dealings in exchange, and it is understood that large writeoffs have at times been necessary for losses from foreign exchange operations. This may account for the declining equities.

The following table shows balance sheet changes which seem rather significant. Figures are in millions of dollars, and small changes are not noted:

ASSETS

	1920	1925	Change
Cash	17.5	6.8	—10.7
Demand loans	2.3	4.5	+ 2.2
Due from banks and bankers	10.9	5.8	— 5.1
Branch office working funds, etc.	3.6	1.8	— 1.8
U. S. Government Securities.	none	4.3	+ 4.3
†Other securities and investments	24.2	27.2	+ 3.
Bank guarantees on travelers' checks and circular letters of credit	9.0	5.4	— 3.6
Total resources	77.6	65.9	—11.7

LIABILITIES

	1920	1925	Change
Surplus and reserves	7.9	5.0	— 2.9
Travelers' checks and letters of credit	12.7	26.2	+13.5
Money orders, etc., not yet presented for payment	21.7	7.3	—14.4
Acceptances and letters of credit	9.2	1.4	— 7.8
Total liabilities	77.6	65.9	—11.7

†Chiefly investment in American Railway Express.

Income for 1925 was equal to $12.88 a share, including $2.20 received from American Express Co. Inc. of Connecticut, a subsidiary organized in 1919 to facilitate foreign operations. Joint earnings for 1926 should run somewhat higher. An increased or extra dividend is a possibility, though it seems doubtful that the management would assume the burden of a larger regular dividend with the fluctuating earnings of recent years in mind.

The vogue for foreign travel is increasing, and American Express should benefit from this tendency. But investors should clearly understand there is a great difference between the present business of the company and that which it conducted prior to 1918. The former high investment standing of the stock was based on efficient operation of a business which the company no longer has. Results from the present business have not yet demonstrated a stable earning power, and though improving, are still unsatisfactory in several ways.

Recent prices of about 125 for the stock have discounted favorable developments, as well as hopes of an increased or extra dividend, and prospective buyers should await more favorable opportunities for purchase.

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sales 10/27/26	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅝	90¼	111¼	70	140½	81¾	161	122	153⅞	7
Do. Pfd.	106¾	96	102⅛	75	98	72	100	94⅛	99⅞	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	262½	181½	196¼	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	94½	27⅝	109¾	83½	103⅝	6
Do. Pfd.	96	77¼	80	48¼	67¾	38½	73⅞	67½	72	4
Bklyn-Man. Transit	..	..	..	..	64	9¼	69¼	54⅛	62	4
Do. Pfd.	..	..	..	..	83¾	31⅜	86½	78	†83	6
Canadian Pacific	283	105	220½	126	170⅞	101	168⅝	146½	164	10
Chesapeake & Ohio	92	51⅛	71	35⅝	130½	46	178⅜	112	169⅜	‡8
Do. Pfd.	..	..	..	..	130	96	171	119	†166½	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	14⅛	9	†9½	..
Do. Pfd.	181	130½	143	62½	76	7	24	14⅛	18	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	83¾	65¼	75½	4
Chicago, R. I. & Pacific	..	..	45¾	16	58⅞	19⅛	68¼	40½	65⅛	..
Do. 7% Pfd.	..	..	94¾	44	105	64	105	96	†103¼	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	92¾	83¼	92¾	6
Delaware & Hudson	200	147½	159½	87	160¾	83¼	183½	150¼	173½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	153½	129	143½	‡6
Erie	61¼	33⅛	59⅛	18¾	39⅛	7	40	22½	39⅝	..
Do. 1st Pfd.	49¾	23¼	54¾	15⅛	49¼	11⅛	50¼	33¾	48⅝	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	46¼	7⅛	47⅛	30	†45¼	..
Great Northern Pfd.	157⅞	115⅛	134¾	79¼	100⅝	50⅝	80½	68½	77¼	5
Hudson & Manhattan	..	..	..	..	38⅜	20⅝	40	35	38¼	2½
Illinois Central	162⅛	102¾	115	85¾	125½	80⅞	131	113½	124	7
Interboro Rap. Transit	..	..	..	..	39¼	9½	52¼	24½	40⅝	.
Kansas City Southern	50¼	21⅝	35⅛	13½	51	13	51⅜	34¼	44⅛	..
Do. Pfd.	75½	56	65½	40	63¼	40	66⅜	60⅝	†64	4
Lehigh Valley	121¼	62½	87⅛	50⅜	88½	39½	93½	75½	87¼	.3½
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	45⅛	*¾	47⅛	29⅛	32⅝	..
Do. Pfd.	*78¼	*46	*60	*6⅛	92⅛	*2	95	82	†92¼	6
Missouri Pacific	*77½	*21½	38½	19⅞	41¾	8¼	45	27	39¼	..
Do. Pfd.	..	..	64⅞	37½	91½	22¼	95	71½	89½	..
N. Y. Central	147¾	90⅝	114¼	62½	137½	64⅛	147½	117	134½	7
N. Y., Chi. & St. Louis	109¾	90	90¾	55	183	23¾	204½	130	198	11
N. Y., N. H. & Hartford	174¾	65⅝	89	21⅛	47	9⅝	48⅜	30⅝	43¾	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	34¾	14¼	28⅞	19¾	25½	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	151⅜	84¼	170⅞	139¼	166⅞	‡7
Northern Pacific	159⅛	101¾	118⅞	75	99⅞	47⅞	82½	65¾	77	5
Pennsylvania	75⅝	53	61⅛	40¼	53⅜	32¼	57⅛	48⅝	56⅝	3½
Pere Marquette	*36½	*15	38⅛	9½	85½	12⅛	113½	67	108¾	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	123	21⅛	119⅜	85	107½	6
Reading	89⅝	59	115⅛	60⅛	108	51⅞	100	79	88⅞	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42	40	†38	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	44⅞	40	42¾	2
St. Louis-San Fran.	*74	*13	50⅛	21	102¼	10¾	102	85	96⅞	7
St. Louis Southwestern	40⅜	18½	32⅛	11	69¼	10⅞	74	57½	62½	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	51	27½	31	..
Do. Pfd.	56½	23½	58	15⅛	51½	3	48⅜	31⅛	36	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	110⅝	96⅛	106⅝	6
Southern Railway	34	18	36¾	12½	120½	24¾	131¼	103⅝	119	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	95½	87½	93⅛	5
Texas & Pacific	40½	10¼	29½	6½	70½	14	61⅝	42⅛	49⅞	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	168¾	141½	162¾	10
Do. Pfd.	118½	79¾	86	69	80	61⅛	81¼	74¾	†79	4
Wabash	*27⅞	*2	17½	7	47¼	6	52	33⅞	40¼	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	73⅞	17	78¾	68	73½	5
Do. Pfd. B	..	..	32⅞	18	60½	12¼	72	57	†58	..
Western Maryland	*56	*40	23	9¼	18⅜	8	16⅝	11	12½	.
Do. 2nd Pfd.	*88¼	*53½	*58	20	*30	11	24⅜	16⅜	21½	..
Western Pacific	..	..	25½	11	40	12	39¼	33	34⅝	..
Do. Pfd.	..	..	64	35	86½	51½	86¾	77½	81½	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	32	18	26⅞	..
Do. Pfd.	..	..	50⅝	16⅝	53½	9¼	50½	37	45⅞	..

INDUSTRIALS

	Pre-War High	Pre-War Low	War High	War Low	Post-War High	Post-War Low	1926 High	1926 Low	Last Sales 10/27/26	Div'd $ Per Share
Adams Express	270	90	154½	42	117¼	22	136	99⅞	126	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	16	7⅛	8¾	..
Allied Chem. & Dye	..	..	..	..	116⅝	34	147	106	128⅞	4
Do. Pfd.	..	..	..	..	121¼	83	122¼	118¾	120¼	7
Allis-Chalmers Mfg.	10	7⅝	49⅝	6	97¼	26⅛	94½	78¼	86⅜	6
Do. Pfd.	43	40	92	32½	109	67⅛	110½	105	†109	7
Am. Agric. Chem.	63⅝	33½	106	47¾	113¾	7⅛	34⅜	9	11⅞	..
Do. Pfd.	105	90	103½	89⅛	103	18¾	96⅛	40¼	41¼	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	38¾	20½	†21	..
Am. Bosch Magneto	..	..	..	..	143⅞	28¼	34⅜	16	†18	..
Am. Can	47⅜	6⅞	68⅛	19¼	*297⅜	*21	63⅛	38⅞	52½	2
Do. Pfd.	129¼	98	114½	80	121⅞	72	126⅞	121	†123	7
Am. Car & Foundry	76½	36½	98	40	*201	97⅛	114⅞	91½	97	6
Do. Pfd.	124¾	107½	119½	100	128	105¾	129¼	120½	†120	7
Am. Express	300	94¾	140½	77½	17	76	140	105⅞	123	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	17½	7	7⅛	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	67¼	33½	†38	..
Am. Ice	..	..	49	8⅞	139	37	136	109	124	‡8
Am. International	..	..	62¾	12	132¼	17	46¾	31¾	37⅜	..
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	87	67¾	76½	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	119⅞	90¼	103½	8
Do. Pfd.	122	75	109	93	124	96½	120¼	114	†119	7
Am. Metal	..	..	..	..	57⅝	38¾	57⅜	45	45	4
Am. Radiator	*500	*200	*445	*235	*345	64	122⅜	101¼	110	5
Am. Safety Razor	..	..	..	..	78⅜	*3⅛	70¾	42	60½	3
Am. Ship & Commerce	..	..	..	..	47½	4¾	11⅞	5½	7¼	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	144½	29¼	152	109⅝	131½	8
Do. Pfd.	116¾	98¼	118⅞	97	115¼	63¼	120¼	112⅞	†119½	7
Am. Steel Foundries	74½	24⅛	95	44	50	18	47	40	42⅛	3
Do. Pfd.	..	..	..	..	113⅛	78	115	110¼	†111	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	82¾	65¼	75½	5
Do. Pfd.	133½	110	123½	106	119	67½	105	100	103⅞	7
Am. Sumatra Tobacco	..	..	145¾	15	120½	6	40	29¼	35	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	145	92⅛	150¾	139⅝	146⅝	9

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1925 High	Low	1926 High	Low	Last Sales 10/27/26	Div'd $ Per Share
Am. Tobacco	*530	*200	*256	*123	*314½	82⅛	124¾	111⅜	120⅛	8
Do. Com. B	..	..	..	..	*210	81¼	124	110⅛	†119½	8
Am. Water Works & Elec	..	..	..	..	*144	*4	74	43¾	53⅛	1.20
Am. Woolen	40⅝	15	60⅞	12	169⅛	34¾	42⅞	19	28⅛	..
Do. Pfd.	107¾	74	102	72½	111⅞	69⅛	89¾	66	80½	7
Anaconda Copper	54⅜	27⅛	105⅜	21¼	77⅞	28½	51⅞	41½	47⅛	3
Associated Dry Goods	..	..	28	10	*140½	46½	54⅞	37¼	42⅞	2½
Do. 1st Pfd.	..	..	75	50⅛	102	49⅞	102½	96	†99	6
Do. 2nd Pfd.	..	..	49⅛	35	108	38	108	102	†105	7
Associated Oil	..	..	*78¾	*52½	*142	24⅞	59½	44¾	†48	2.80
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	68⅜	29	31¼	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	56¼	33¼	33¼	..
Atlantic Refining	..	..	..	..	*1575	78½	128⅜	97	101¼	..
Austin Nichols	..	..	..	..	40⅜	8	28	7⅛	†8¼	..
Do. Pfd.	..	..	..	..	95	50⅝	93	57	60	7
Baldwin Locomotive	60¾	36⅛	154⅛	26⅝	156¼	62¼	136½	92⅞	118¾	7
Do. Pfd.	107½	100¼	114	90	118	92	114	105	†112	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	51⅛	37¼	45½	..
Do. 7% Pfd.	80	47	186	68	108	78	105	99	103	7
Brooklyn Edison Electric	134	123	131	87	156½	82	163	133	†153	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	97¼	68	93⅜	4
Burns Brothers	45	41	161½	50	147	76	144	121	†133	10
Do. B	..	..	..	..	53	17	44	29⅞	†33	2
Butte & Superior	..	..	105¼	12¼	37⅞	6½	16¼	7⅛	12⅜	2
California Packing	..	..	50	30	136½	48¼	179½	66¼	68½	4
California Petroleum	72½	16	42⅝	8	71⅞	15⅜	38⅛	29¾	30⅛	2
Central Leather	51¾	16½	123	25⅞	116½	9⅝	20½	7⅛	8⅛	..
Do. Pfd.	111	80	117½	94⅞	114	28½	68¾	43¼	†53	..
Cerro de Pasco Copper	..	..	55	25	67½	23	73½	57½	61⅝	4
Chile Copper	..	..	39¼	11¼	38⅜	7	36⅜	30	32¼	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	25½	16	†24	..
Chrysler Corp.	..	..	..	..	*253	*108¼	54⅞	28½	24⅜	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	108	93	100½	8
Coca Cola	..	..	..	..	177¾	18	165	128	153	7
Colorado Fuel & Iron	53	22½	66½	20½	56	20	49⅜	27⅝	41	..
Columbia Gas & Elec	..	..	54⅛	14¼	*114⅞	30¼	90	63½	86⅜	5
Congoleum-Nairn	..	..	..	..	*184⅜	15⅞	29⅜	12½	21½	..
Consolidated Cigar	..	..	..	..	80	11⅜	81	45¼	71½	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145⅜	56¾	115⅜	87	107⅛	5
Continental Can	..	..	*127	*37⅛	*131¾	34⅜	92½	70	74⅛	‡5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	48¾	35⅝	46¾	‡2
Do. Pfd.	98½	61	113⅛	58⅛	127	96	129⅛	122½	†123¾	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	48	81½	64	71	5
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	11½	8⅝	9½	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	49⅝	35½	41¾	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	30⅜	20¼	†23¾	..
Cuyamel Fruit	..	..	..	..	74½	44	51	42⅛	†43⅝	4
Davison Chemical	..	..	..	..	81¼	20⅜	46¾	23⅛	27	..
Dupont de Nemours	..	..	..	..	271¼	105	360	193⅛	320	14
Eastman Kodak	*No Sales		*605	*605	*690	70	123	106⅝	119⅛	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	94⅛	71⅛	84¾	‡5
Endicott-Johnson	..	..	..	..	150	44	72⅝	65½	66⅛	5
Do. Pfd.	..	..	..	..	119	84	120	114	118	7
Famous Players-Lasky	..	..	..	..	123	40	127⅛	103⅛	114	‡8
Do. Pfd.	..	..	..	..	120	66	124	115	118½	8
Fisk Rubber	..	..	..	..	55	5½	26¼	14¼	17⅜	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	84¼	76⅞	†78½	7
Fleischmann Co.	..	..	..	..	*171½	*75	56⅛	32¼	47⅛	‡2
Foundation Co.	..	..	..	..	183¾	58½	179¾	76¾	83	8
Freeport-Texas	..	..	70½	25¾	64⅜	7½	34½	19⅝	31½	..
General Asphalt	42⅞	15½	39⅜	14¼	160	23	94¼	50	74⅝	..
General Cigar	..	..	..	..	115¼	47	59½	46	52½	4
General Electric	188½	129¾	187¼	118	337¼	109½	95½	79	83⅛	‡3
General Motors	*51¾	*25	*850	*74½	149¾	*8⅛	173½	140¼	150¼	7
Do. 7% Pfd.	..	..	..	..	115	95⅛	120¾	113½	118⅝	7
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	93⅜	17	70¾	45	50	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	100	95	96½	7
Goodyear T. & R. Pfd	..	..	..	..	114⅝	35	109⅞	98½	101½	7
Do. Prior Pfd.	..	..	..	..	109	88	109	105⅜	107½	8
Granby Consolidated	78¼	26	120	58	80	12	32¾	16⅛	31⅞	..
Great Northern Ore Ctfs	88½	25½	50⅜	22½	52¾	24⅞	27¼	18¼	19½	¾
Gulf States Steel	..	..	137	58¾	104⅝	25	93⅜	51⅛	55	5
Hayes Wheel	..	..	..	..	52⅞	30	46	23⅞	25	‡3
Houston Oil	25½	8¼	86	10	116½	40½	72	50¼	52	..
Hudson Motor Car	..	..	..	..	139½	19½	123¼	42¾	43¼	3½
Hupp Motor Car	..	..	11¾	2½	31	4⅝	28⅜	17	20¼	1.40
Inland Steel	..	..	..	..	50	31⅛	43½	34½	38⅜	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	22⅛	26⅞	20¾	25⅞	2
Inter. Business Mach	..	..	52⅝	24	176¼	28¾	52¾	38⅛	50⅞	3
Inter. Combustion Eng	..	..	..	..	69½	19⅝	64½	33½	41	2
Inter. Harvester	..	..	121	104	149⅝	66¾	138⅛	112¼	127½	6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	12⅜	6	7⅜	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	46⅜	27	34	..
Inter. Nickel	*227¼	*135	57½	24⅛	48½	24¼	46¼	32¾	35½	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	63¾	44⅛	54½	2
Kelly-Springfield Tire	..	..	85¼	36⅞	164	9¾	21½	9	10¾	..
Do. 8% Pfd.	..	..	101	72	110	33	74¾	43½	46	..
Kennecott Copper	..	..	64¼	25	59¼	14⅝	62¼	49¾	60¾	4
Kinney (G. R.) Co.	..	..	..	..	103	35½	82⅛	41⅜	†42	4
Lima Locomotive	..	..	..	..	74⅞	52	69¾	53½	59	4
Loew's, Inc.	..	..	..	..	44¾	10	48¼	44¼	45	‡2
Loft, Inc.	..	..	..	..	28	5½	11¼	6	6⅛	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	30¼	42¼	27¾	28¾	2
Mack Trucks	..	..	..	..	242	25½	159	91	93½	6
Magma Copper	..	..	..	..	46	26⅛	44⅞	34	†35½	3
Mallinson & Co.	..	..	..	..	45	8	28⅛	14½	14½	..
Maracaibo Oil Explor	..	..	..	..	37½	16	28⅞	16⅛	17⅞	..
Marland Oil	..	..	..	..	60½	12⅛	63⅜	49¼	53½	4

(Please turn to next page)

New York Stock Exchange

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1925 High	Low	1926 High	Low	Last Sales 10/27/26	Div'd $ Per Share
May Department Stores	*88	*65	*97½	*35	*174¾	*60	145¼	106⅞	143	5
Mexican Seaboard Oil	..	..	..	..	34½	5¾	13¾	6	8½	..
Montgomery Ward	..	..	..	..	82½	12	82	56	69¾	4
National Biscuit	*161	*96½	*189	*79⅞	*270	35⅝	98½	94	95	‡4
National Dairy Prod	..	..	..	..	81⅞	30⅛	80	53	67½	3
National Enam. & Stamp	30¼	9	54½	9	89½	18½	40½	21⅛	26⅞	..
National Lead	91	42½	74⅝	44	174¾	63½	174¾	138	†148½	8
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	46¾	36⅛	40¾	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	45⅞	32	†32½	..
North American	*87⅞	*60	*81	*38⅞	*119½	17⅛	67	42	48½	§10%
Do. Pfd.	..	..	..	..	50⅛	31⅞	52¼	49	50½	3
Packard Motor Car	..	..	..	..	48½	9⅞	45¼	31¾	33¼	‡2.40
Pan.-Am. Pet. & Trans	..	..	70¾	35	140¼	38⅛	76½	56⅛	62	6
Do. Class B	..	..	..	..	111¾	34⅛	78⅜	56⅞	61⅝	6
Philadelphia Co.	59¼	37	48⅞	21½	68¾	26½	76⅝	59⅛	†72	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	48⅜	36¼	42¾	..
Phillips Petroleum	..	..	..	..	69⅝	16	52¾	40	48	3
Pierce-Arrow	..	..	65	25	99	6⅛	43⅛	19	23	..
Do. Pfd.	..	..	109	88	111	13⅛	127¼	76½	110	8
Pittsburgh Coal	*29⅜	*10	58¾	37⅛	74⅝	37¼	42½	29	36½	..
Postum Cereal	..	..	..	..	*134	*47	124⅞	75½	98⅛	5
Pressed Steel Car	56	18½	88¼	17¼	113¾	39	43¼	34⅛	†39¼	..
Do. Pfd.	112	88½	109⅛	69	106	67	87½	78½	79⅛	7
Pub. Serv. N. J.	..	..	..	..	87⅞	29	97⅞	72	93⅞	5
Pullman Company	200	149	177	106½	173½	87¼	199½	145¼	179	8
Punta Alegre Sugar	..	..	51	29	120	24¾	47	33	†38¼	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	31	25¼	26¾	1½
Radio Corp. of America	..	..	..	..	77⅞	25⅞	60½	32	56½	..
Ray Consol. Copper	27½	7½	37	15	27½	9⅞	15⅝	10½	15⅜	¼
Replogle Steel	..	..	..	..	93½	7	15⅞	8	8¾	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	63⅝	44	54⅝	4
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	99	91¼	†95½	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	57⅜	47⅜	†48⅛	3.08
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	102½	73	†78	4
Schulte Retail Stores	..	..	..	..	134⅞	88	52½	42½	45	§8%
Sears, Roebuck & Co.	124¾	101	233	120	243	54¼	58⅜	44¼	52	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	48⅝	40½	†42⅜	2.17½
Shell Union Oil	..	..	..	..	28⅜	12⅛	30½	24	29⅜	1.40
Simmons Company	..	..	..	..	54⅝	22	54½	28⅜	32⅜	‡2
Simms Petroleum	..	..	..	..	28½	6⅛	28⅝	15⅛	17⅞	1
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	24⅞	16¾	17⅞	..
Skelly Oil	..	..	..	..	35	8⅝	37⅛	26⅝	31⅞	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	143½	32⅛	142½	103	119¼	6
Standard Oil of Calif.	..	..	..	..	*135	47½	63⅝	52⅝	60	2
Standard Oil N. J.	*448	*322	*800	*355	*212	30⅞	46⅜	40¼	41¾	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	119⅛	115¼	116⅜	7
Stewart-Warner Speed.	..	..	*100½	*43	*181	21	92⅞	61¼	65⅞	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	77¼	57	†57	6
Studebaker Company	49½	15¾	195	20	*151	30½	62	47	51½	5
Do. Pfd.	98⅛	64½	119½	70	125	76	122½	114½	†118	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	16	10¾	11½	1
Texas Co.	144	74½	243	112	57¾	29	58	48	53¼	3
Texas Gulf Sulphur	..	..	..	..	121⅞	32⅝	46⅛	39	42⅝	3
Tex. & Pac. Coal & Oil	..	..	..	..	*275	30¼	19½	12	14⅜	..
Tide Water Oil	..	..	225	165	195	5½	39¼	27¼	27¼	1½
Timken Roller Bearing	..	..	..	..	59⅜	28½	85	44⅞	80⅝	‡4
Tobacco Products	145	100	82⅜	25	115	45	116⅝	95¼	109⅜	7
Do. Class A	..	..	..	..	110⅜	76½	118⅜	103	†113½	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	5½	3	3¾	..
Union Oil of Calif.	..	..	..	..	48⅜	33	58⅜	37¼	54¾	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	109¾	83⅛	94½	‡2
United Drug	..	..	90⅞	64	175⅛	46¼	171	134	159	8
Do. 1st Pfd.	..	..	54	46	58⅛	36⅝	59	55½	†57¾	3½
United Fruit	208½	126½	175	105	246	35¾	118½	98	†112	4
United Ry. Investment	49	16	27½	4¼	41	6	27½	19¾	†23¾	..
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	248½	150	204⅞	10
Do. Pfd.	84	40	67½	30	113	38	109	100¼	105	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35¼	82	45⅜	79	..
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17¼	71⅞	48⅛	59⅜	4
U. S. Rubber	59½	27	80½	44	143¾	22⅛	88¼	50¼	62⅜	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	109	101½	106½	8
U. S. Smelt., Ref. & Min.	59	30⅜	81½	20	78¼	18⅜	49⅞	30	31½	3½
U. S. Steel	94⅞	41¼	136⅝	38	139¼	70¼	159⅝	117	140⅞	7
Do. Pfd.	131	102½	123	102	126⅝	104	130⅛	124½	129½	7
Utah Copper	67½	38	130	48½	111	41⅛	106½	93	†106½	5
Vanadium Corp.	..	..	..	..	97	19⅛	43	29	40¼	3
Western Union	86¼	56	105½	53⅜	144⅞	76	157⅞	134½	145¼	8
Westinghouse Air Brake	141	132½	143	95	144	76	139½	105¼	126	7
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	79½	65	67½	4
White Eagle Oil	..	..	..	..	34	20	29¾	25⅛	25⅜	2
White Motors	..	..	60	30	104½	29¼	90	51⅛	58⅛	4
Willys-Overland	*75	*50	*325	15	40¼	4½	34	18	19¾	..
Do. Pfd.	..	..	100	69	123⅞	23	99	88⅝	†89¼	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	12½	6	10¾	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	222	135¼	165	‡4
Worthington Pump	..	..	69	23½	117	19⅞	44¾	20½	22⅝	..
Do. Pfd. A	..	..	100	85⅞	98½	65	80	55	55	7
Do. Pfd. B	..	..	78⅜	50	81	53½	65	50¼	†41½	6
Youngstown Sh. & Tube	..	..	..	..	92½	59¾	95¼	69	84	4

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock. a Paid this year.

Securities Analyzed, Rated and Mentioned in This Issue.

INDUSTRIALS

RAILROADS

PETROLEUM

MINING

PUBLIC UTILITIES

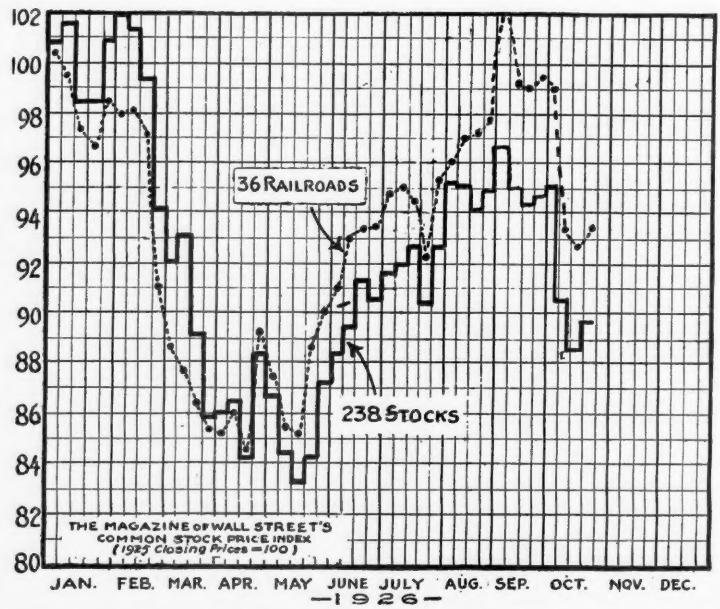
BONDS

COMMODITIES

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1926 High Index	1926 High Date	1926 Low Index	1926 Low Date	Recent Indexes Oct. 16	Recent Indexes Oct. 23
238	COMBINED AVERAGE	102.0	2-6	83.1	5-15	88.6	89.7
36	Railroads	102.2	9-4	84.3	4-17	92.8	93.3
4	Agricultural Equipment	111.9	2-13	61.8	10-16	L61.8	64.0
2	Alcohol	103.2	1-2	56.6	5-15	77.5	85.0
13	Automobile Accessories	104.4	1-9	78.0	5-15	81.6	81.3
16	Automobiles	104.0	1-9	66.7	5-15	71.0	71.2
4	Building Material	102.7	1-30	75.4	5-15	84.9	85.7
2	Business Equipment	106.2	2-6	82.2	4-17	93.2	97.0
10	Capital Goods	100.9	1-9	75.4	4-17	78.6	79.8
3	Chemicals	111.1	8-14	92.0	4-17	101.0	101.2
3	Containers	110.8	8-7	85.7	4-17	99.8	101.5
10	Copper	114.1	8-7	91.6	4-3	112.5	111.6
3	Department Stores	101.0	1-2	67.6	5-22	70.4	71.0
9	Food	102.8	1-30	70.5	10-23	71.0	L70.5
6	General	103.7	10-2	82.6	4-3	95.3	97.9
2	Leather	102.4	2-13	69.2	10-16	L69.2	69.4
2	Mail Order	101.6	1-2	75.0	5-15	82.2	87.0
4	Marine	110.8	3-13	74.4	10-16	L74.4	79.2
2	Meat Packing	102.6	1-30	69.6	5-22	70.6	70.6
5	Metals	105.7	1-9	78.1	5-22	83.7	85.1
9	Miscellaneous	129.4	9-11	93.9	4-17	119.6	119.2
31	Petroleum	102.3	1-9	85.2	10-16	L85.2	85.9
12	Public Utilities	102.0	2-13	82.4	4-17	88.9	90.2
1	Radio	132.3	10-23	78.8	4-17	117.3	H132.3
6	Railroad Equipment	100.0	2-2	84.8	3-27	90.7	91.2
1	Real Estate	102.8	2-2	74.3	3-27	85.4	88.4
2	Recreation	117.2	10-2	98.6	1-23	107.8	110.2
6	Rubber	114.3	2-6	59.8	10-16	L59.8	66.9
11	Steel	100.6	1-9	79.5	5-15	80.4	79.8
4	Sugar	116.1	2-6	92.5	5-22	99.9	99.1
2	Sulphur	151.2	10-2	100.3	1-9	136.2	141.4
2	Telephone	105.6	6-5	97.3	7-31	98.7	98.6
3	Textiles	104.6	2-6	57.7	5-22	76.8	77.1
9	Tobacco	134.4	10-2	94.5	4-17	123.6	124.0
3	Traction	128.7	5-29	94.0	1-16	111.6	115.0

H—New HIGH record for the year. L—New LOW record for the year.



(An unweighted Average of weekly closing prices, specially designed for investors. The 1926 Index includes 238 issues, distributed among 33 leading industries; and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

ANSWERS TO INQUIRIES

(Continued from page 52)

its own stock in the near future. Naturally, a fair portion of this will eventually reach the treasury of American Car & Foundry. This development, coming as it does at a time when the affairs of the parent company appear definitely upon the upgrade, gives rise to a very interesting situation. As a consequence, American Car & Foundry common appears in the light of a rather attractive holding.

OTIS ELEVATOR COMPANY

Two years ago at your suggestion I bought Otis Elevator at 90. I still have the stock and would appreciate your advice as to holding it for higher prices than have been recorded recently. —D. A. B., St. Louis, Mo.

Otis Elevator continues to report increased profits from operations. Net in the third quarter was equal to $3.64 a share on 341,807 common shares of $50 par, against $3.57 a share in the preceding quarter and $3.07 a share in the September quarter of last year. This brought net for nine months up to $10.92 a share, against $9.28 a share in the same period of 1925. An examination of the latest balance sheet available reveals a sound financial position, current assets aggregating 19.23 millions, while current liabilities total about 3.6 millions, indicating net working capital in excess of 15.63 millions. Cash and government securities total about 6.7 millions. While it is doubtful if from now on building operations will continue with unabated vigor Otis, by virtue of its strong trade and financial position might be depended upon to more than hold its own. In view of the fact that a dividend increase or an extraordinary disbursement of some sort is not unlikely it would appear that the shares are well worth retaining, notwithstanding their substantial advance over your purchase price.

THE S. S. KRESGE COMPANY

What is the matter with S. S. Kresge stock? I know you advised me to take my profit in February when I could have got about $75 a share, but a friend of mine connected with the company talked me out of selling. I have 600 shares of the present stock. Of course, even around present prices I have a profit for my original holdings in 1919 cost me but $110 a share.—H. P. S., Baltimore, Md.

The report of S. S. Kresge Company covering operations in the first nine months of this year shows earnings in heavier volume than in the same period of last year, but hardly sufficient to justify materially higher prices for the stock. Profit of 8.72 millions after federal taxes and preferred dividends was equal to $2.34 a share on 3,678,197 common shares of $10 par, against 7.29 millions or $1.95 a share in the previous year. Viewing the record of Kresge to date, one is convinced that the company has by no means reached its peak of prosperity, but visible signs would indicate that from now on its progress is likely to be less rapid. From a market standpoint, Kresge

(Please turn to page 72)

(Continued from page 70)

stock seems unattractive. The common, on which earnings are running at a $3.50 annual rate, and which pays but $1.20 per annum in dividends appears unduly high at current levels. We believe your interests would be well served by switching to something with clearer defined prospects. Texas Company, for example, seems to have more to offer.

TEXAS GULF SULPHUR

About five years ago I bought 25 shares of Texas Gulf Sulphur at $49, and last year I increased my holdings by buying 10 shares at $110. I am now in a position to buy a few more shares. I would be glad if you can tell me if you think it is a good move to increase my shares at this time.—J. J. O., Chicago, Illinois.

With the retirement of Union Sulphur from the field following the exhaustion of its once huge sulphur deposits, the position of its erstwhile competitors has been vastly improved. Freeport-Texas has taken on a new lease of life, while Texas Gulf is enjoying the greatest prosperity in its history. The earnings of Texas Gulf, as an example, have almost doubled in three years. For the nine months ended September 30, 1926, the company reported net earnings of over 6.32 millions, compared with 4.17 millions in the same period of 1925, and 3.47 millions in the corresponding period of 1924. This very remarkable showing was due partly to the circumstances described above, although the deposits of the company are understood to lie in such a manner as to permit of the most economical operations. Texas Gulf is now in the full flush of prosperity, and might be said to face an optimistic outlook, but it is well to bear in mind that in their character as speculative favorites these shares have advanced persistently, and at current levels can hardly be said to be on the bargain counter. You would probably be justified in retaining your present holdings, but we would advise deferring an additional purchase pending a better buying opportunity.

THE U. S. SMELTING, REFINING & MINING CO.

I have been a stockholder in U. S. Smelting for a number of years, having bought the stock at about $70 a share. What is the outlook for the stock?—P. E. H., Cincinnati, Ohio.

United States Smelting, Refining & Mining Company does not confine its activities to the production of silver, but the company is an important miner of that metal and consequently stands to suffer considerably from the recent decline in silver prices. U. S. Smelting is producing at the rate of about 23 million ounces of silver a year, 80% of which comes from its own mines and the balance from custom ores. This adverse factor is offset to some extent by an unusually heavy production of lead; the current market for this is around 8.65 cents a pound, thus assuring a fair margin of profit. Further its Alaska gold operations are being conducted on a profitable basis. However, although the company is faring well in other departments, there is no gainsaying the fact that the drop in silver

(Please turn to page 74)

(Continued from page 72)

prices has robbed the shares of much of their speculative flavor. As a speculation for the long pull, United States Smelting common is not without merit, but unless you are willing to hold over a considerable period of time we would advise a switch to either Calumet & Arizona or Anaconda, both of which seem more favorably situated.

WHITE EAGLE OIL & REFINING COMPANY

I have been holding White Eagle Oil & Refining Company stock for three years. I paid about $25 a share for it and naturally I am somewhat disappointed because of the fact that I have had really no profit in it at any time since I bought it. Would you advise me to hold on? Of course its yield is satisfactory enough.—AMB., Philadelphia, Pa.

It is rather discouraging to note that White Eagle Oil & Refining reported only an infinitesimal increase in profits for nine months over those of the same period of 1925. Progts for the first nine months of this year total 2.51 millions before depreciation and depletion, compared with 2.43 millions in the corresponding period of last year. Thus, White Eagle Oil has done little better than hold its own in the face of improved oil conditions which have permitted most oil companies to show banner results from operations. We recognize White Eagle as being fundamentally sound and ably managed but earning power as developed to date is not sufficient to warrant including the stock among attractive holdings. We believe you would do well to switch to Barnsdall, Class A. This company is enjoying the greatest prosperity of recent years and seems to face an optimistic outlook.

THE AMERICAN WATER WORKS & ELECTRIC COMPANY

As a stockholder in American Water Works and as a subscriber to THE MAGAZINE OF WALL STREET, *I would appreciate your advice. I bought my stock last year at 37½, and besides receiving a good dividend I have received two dividends in common stock.—R. A. D., San Francisco, Calif.*

American Water Works & Electric Co., in reporting results from operations in the twelve months ended August 31, 1926, showed net income of about 3.83 millions, equal after preferred dividends and other deductions to $4.40 a share on the 647,918 outstanding common shares of $20 par value. This compares with net income of about 3.01 millions, or the equivalent of $3.69 a share on 550,000 shares in the preceding twelve months. The record of American Water Works & Electric over a period of recent years has been of rapid expansion both in operations and earning power. In the early stages of the company's prosperity THE MAGAZINE OF WALL STREET, recognizing the potentialities, recommended the common stock as an outstanding opportunity. That our contention was well founded was borne out by subsequent market developments. However, the situation as it exists today can hardly be viewed in the same light. Following a spectacular advance in the market value of the common, this issue was split up on the basis of five for one,

(Please turn to page 76)

~The Best Investment~ Health and Recreation

The old North Wind is tuning up while Jack Frost peeks around the corner. Old man Winter will soon be back for his yearly visit, which reminds us again of that trip we have long wanted to take.

Where will it be? Cuba, The Mediterranean, South America, California, or Florida? Now is the time to make your plans, before the best of the reservations are taken.

Many readers have found in this department the information they wanted; the suggestions they needed in selecting the best resort or the best way of reaching it. Do not hesitate to call on us if you need any help.

For information on any listing or resort, merely check those desired and mail with your name and address to

TRAVEL DEPARTMENT

The MAGAZINE of WALL STREET

42 Broadway New York City

Scheduled Tours and Cruises

Round the World Cruise

S.S. EMPRESS OF SCOTLAND .... Dec. 2, 1926
S.S. BELGENLAND .... Dec. 14, 1926
S.S. RESOLUTE .... Jan. 6, 1927
S.S. FRANCONIA .... Jan. 12, 1927
S.S. CALIFORNIA .... Jan. 19, 1927

There are also many conducted cruises and independent trips. Information on these will gladly be sent if you will tell us where you want to go.

Great African Cruise

S.S. ASTURIAS .... Jan. 20, 1927

West Indies Cruise

S.S. FRANCONIA .... Dec. 22, 1926
S.S. MEGANTIC .... Jan., Feb., Mar., April
S.S. CALEDONIA .... Jan. 22, 1927
S.S. CALEDONIA .... Feb. 26, 1927

Mediterranean Cruise

S.S. HOMERIC .... Jan. 22, 1927
S.S. TRANSYLVANIA .... Jan. 29, 1927
S.S. SAMARIA .... Feb. 9, 1927
S.S. EMPRESS OF FRANCE .... Feb. 12, 1927
S.S. MAURETANIA .... Feb. 21, 1927
S.S. ADRIATIC .... Jan. 6 and Feb. 24, 1927
S.S. LAPLAND .... Jan. 15 and March 5, 1927

There are also regular sailings which include North African Tours.

South American Cruise

S.S. LACONIA .... Jan. 29, 1927
S.S. CALEDONIA .... Feb. 5, 1927

Scenic Rail Routes and Resorts

New York Central Lines
Operates through service between New York, Boston, Montreal, Toronto, Chicago and St. Louis.

Canadian Pacific Railway
Trans-Canadian Nova Scotia to Vancouver through Rockies and National Parks.

Northern Pacific Railway
Yellowstone Park and Scenic Northwest.

Southern Pacific
New York to New Orleans by steamship or rail connections.
Scenic Southwest all California Coast and Valley Points.

California Tours
The Redwoods, Yosemite, National Park, Mountains, Lakes, etc.

Pennsylvania Railroad
New York, Philadelphia, Atlantic City, Washington to Chicago and St. Louis.

Canadian National Railways
Quebec to Montreal, across prairies and Rockies to Prince Rupert and Vancouver.

Union Pacific
Central Route between Chicago and California over overland trail.

Sante Fe
Old Santa Fe trail to Southwest. Petrified Forest, Grand Canyon and other National Parks.

Hawaii
The Paradise of the Pacific. The land of Sunshine, Smiles and Flowers.

Yellowstone National Park
America's playground in the Rocky Mountains.

Seattle—The Pacific Northwest
The gateway to Alaska. Fishing, Hunting, and other sports.

Bungalow Camps in Canadian Rockies
Ideal way to enjoy a vacation. Beautiful scenery with all sports.

(Continued from page 74)

and the present stock at current levels represents a very high figure for the old. In view of the fact that earnings, current or indicated, hardly warrant an appreciable increase in the dividend rate, it is hard to see where higher prices would be justified. We see no incentive to retain this stock.

AMERICAN RADIATOR

Please give me your opinion on American Radiator common. I have held 20 shares since 1923. I paid $88 a share for my holdings. I am not a speculator, but at the same time I do not like to hold it if it has exhausted its best possibilities.—I. R. G., Boston, Mass.

As the result of 1925 operations American Radiator Company and subsidiaries reported a consolidated net profit of 11.63 millions, equivalent after preferred dividends to $8.97 a share on the 1,242,561 common shares of $25 par value. Actual figures covering 1926 sales and profits are not available, but according to a recent statement these are running somewhat ahead of last year. The company presents an enviable record of past performance, having shown rapid progress both in scope of operations and earning power in recent years. In the past, as circumstances have warranted, the company has maintained a liberal dividend attitude toward stockholders. However, the prosperity enjoyed has been amply reflected marketwise and at current price levels the stock seems neither a tempting purchase nor an attractive holding. The recent increase in the dividend rate to $5 per annum seems to exhaust possibilities along this line for the time being, hence a solid foundation does not exist upon which to base the expectation of a substantial advance in market valuation. We believe that a transfer from this issue to Peoples Gas Light & Coke for income and profit purposes would work out to your advantage.

UNION CARBIDE

You recommended Union Carbide to me when this stock was selling below 80. THE MAGAZINE OF WALL STREET *being literally my financial advisor, I follow your advice—for which I am thankful. The stock yields me a fair interest return on my purchase price and has advanced appreciably in value. What course should I follow now? Is it reasonable to expect a further advance? I own 100 shares.—S. J. C., Hagerstown, Md.*

The advance in the market valuation of Union Carbide & Carbon appears to be a direct reflection of favorable internal developments. Earnings, for one thing, are running appreciably above those of last year. Net profit for the September quarter amounted to, roughly, 6.59 millions, or $2.48 a share on the common, and brought the total for nine months up to 16.63 millions, or $6.34 a share on the common. This compares with a nine months' total in 1925 of 12.56 millions, equal to $4.71 a share on the stock. Practically every department is understood to be registering heavy gains in business over last year. Union Carbide is the dominant factor in its field, owning 30 companies engaged in the manufacture of a highly diversified line of electro-metallurgical products,

(Please turn to page 78)

Making *Your* Investments Bring Bigger Profits

MOST investors could earn bigger and steadier profits on their investments but for one fact:—

They permit themselves to become sidetracked by the day-to-day flurries of the market. Confusion, hesitation and doubt follow. The result is a meager return, if not an actual loss. Consider how much better and safer is this fundamental plan which for years has offered the soundest and most consistent opportunity for increasing earnings on investments:

(1) Buy securities at *low tide* when prices are below real values. *(2) Hold* them, ignoring all minor fluctuations, ***until high tide,*** when prices are high. *(3)* ***Then sell*** those securities and ***reap*** your ***profits.***

Plan Followed by Shrewd Investors

This is the plan followed by the country's shrewdest investors. To get the facts which show the ever recurring buying and selling periods, thousands of these investors, (including individuals and concerns of national prominence) constantly rely on Babson Reports. These reports continuously show in clear, unmistakable language from month to month the factors which are shaping fundamental trends in the market. Thus the investor is in a position to prepare for coming events and profit by the long swings.

Time-Tested Service

Babson's Reports are a time-tested and time-proven service. From their beginning—nearly a quarter of a century ago—they have stood up under actual experience and application. They could face no severer trial than that which they had to meet during the past two decades. Within this period have occurred a world-war, great industrial expansion, and the development of far-reaching inventions—every one of which has had a tremendous influence upon investment opportunities. Babson Reports have constantly aided investors in these troublesome periods.

Why? Because these reports are the result of faithful research and thorough *statistical* analysis.

Facts—Based on Statistics

In a single sentence you may get the facts and figures on a vital point which is the net of a study of a vast amount of statistics secured at a cost of thousands of dollars. Though built squarely on statistics, Babson's Reports need no statistician to decipher them. In plain and simple words they show how to make money in Stocks and Bonds.

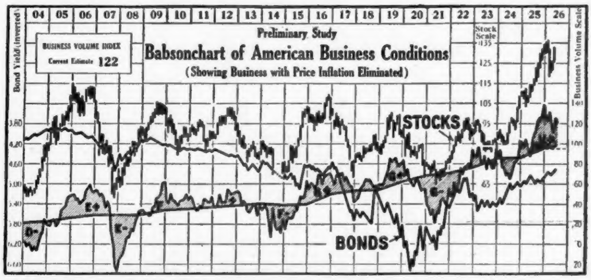
Profits and Service

By following the long swing investment plan you actually perform a service and accordingly profit. You buy low when money is needed to help stabilize conditions and you sell high when such sales help to check inflation.

Even if already subscribing to an "economic" service, you need also a truly statistical service—one in which actual figures are primary. From these figures each investor may, if he chooses, draw his conclusions while securing, in addition, the recommendations of the Babson organization. Founded as a statistical organization, statistics have remained the keystone of our work. Today, in Babson's Reports you get the benefit of the experience, growth and resources of the largest statistical organization of its character in the world.

Tangible and Specific Recommendations

Babson's Reports are meant for conservative investors who follow the fundamental long-swing plan of profiting in stocks and who want to derive the maximum safe income from bonds. Such investors know there is nothing in "get-rich-quick" schemes. Babson's Reports give clearly and unmistakably our views on when to buy or sell and what to buy or sell.



Investors and business men knowing the importance of fundamental long-swing plans, use the Babsonchart illustrated above. The shaded areas show the trend of business. An area of over-expansion above the middle or X-Y Line tends to be offset by an area of depression below the middle line—illustrating the Law of Action and Reaction. The other lines, as indicated, show the relationship of stock and bond prices to fundamental business conditions.

Begin to Plan Now for the Next Period

Every time that stocks are a purchase for the long swing many investors lose the opportunity, not from lack of intelligence, but lack of preparation. Hence we earnestly advise all investors who are interested in profiting by the next buying period to look into the subject *at once.* This topic is concisely but fully discussed in the Babson booklet "Should Business Men Buy Stocks"? Write for a copy, gratis. Use coupon.

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Babson's Reports

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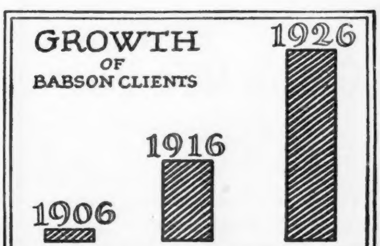

Largest Statistical Community in America

(*Continued from page 76*)

chemicals, steel alloys, etc., used by manufacturing industries, railways and in the home. With 110 plants and factories in the United States and Canada, 116 sales offices and 562 warehouses, it is well situated to derive the maximum of benefit from operation. The financial condition of the company is sound, working capital aggregating almost 50 millions. Trade conditions in the industry are holding up well, indicating that the company's peak of prosperity has by no means been reached. In view of these constructive factors we believe you would be justified in holding your stock notwithstanding its appreciable advance in market valuation.

In view of the great interest displayed in the Sinclair oil situation as described in our October 9 issue we are taking the privilege to reprint our Inquiry on Sinclair in full as appearing in that number.

SINCLAIR CONSOLIDATED

Please inform me at your earliest convenience of the probable effect of the Teapot Dome decision on the market value of Sinclair Consolidated Oil stock. Will Sinclair appeal from this decision or is it to be considered final? I bought Sinclair common several years ago at what now seems a very high figure, and I have about despaired of ever getting out even. Shall I sacrifice my holdings?—F. A. W., Newark, N. J.

The Federal Circuit Court of Appeals in reversing the decision of District Court Judge T. Blake Kennedy at Cheyenne, Wyo., upholding the Teapot Dome oil lease held by Harry F. Sinclair and associates, orders the lower court to cancel the Mammoth Oil Company's lease, which is declared fraudulent, and the company is enjoined from further trespassing on government property. On the face of things it would appear that this development is of the greatest moment and calculated to result in materially lower prices for the stock. As a matter of fact, the common experienced a sinking spell upon publication of the news, reflecting hurried selling on the part of frightened shareholders. Apparently, it is not generally understood that this decision is by no means final, and that steps have already been taken to bring the matter to the U. S. Supreme Court. A strong possibility exists of the company eventually emerging victorious, but at all events the matter will be thoroughly thrashed out before a final decision is reached, something which is likely to consume considerable time. After all, when all is said and done, Sinclair has derived little profit from ownership of this lease, and it is doubtful if even a final adverse decision would result in materially lower stock prices. As matters rest, the existing situation seems well discounted marketwise. We believe you would be justified in holding your stock with a view to later developments.

INSURANCE DEPARTMENT

(*Continued from page* 50)

Insurance Between Ages 40 to 65

Insurance Editor:

Most of the articles dealing with insurance consider the problems of young people between the ages of 20 and 30, but going through life, we see that it is not so easy to lay money aside for insurance at these ages. For instance, men who are getting paid by the day to the amount of $5, $6 or $7 cannot very well afford to pay a premium of from $10 to $15 a month so they let it go until later.

It is for this reason that the most problems arise for men between the ages of 40 and 65 years for they are almost sure at these ages to have saved some money but like myself they do not know how to apply it properly to insurance. What kind of insurance do you recommend at such an age?

Very truly yours,

P. E. D.

I have your letter commenting on the paucity of information regarding life insurance for men between the ages of 40 and 65. If you are a regular reader of THE MAGAZINE OF WALL STREET you will perhaps have observed a recent article dealing with life insurance for the Man of Forty. Numerous letters in answer to correspondents, and articles have, however, dealt with life insurance at the older ages.

You say that "men who are getting paid by the day to the amount of $5, $6 or $7 cannot very well afford to pay a premium of 10 or 15 dollars per month for life insurance, and so they let it go until a later date."

Thrift is a virtue which is as readily adaptable to the man on a salary of $30 a week as it is to the man on an income of $300 a week. It is not a question of amount of income but of the character of the man who propose to build a thrift fund. If a young man 25 years of age on a salary of $30 a week saved $1 a week towards payment of premiums for life insurance protection, he could practically accumulate sufficient to carry about $3,500 on the Ordinary Life plan.

The man who "lets it go until later" is not of the thrifty type who early applies for life insurance in order to begin the building of his estate and to get the advantage of protection at low rates. The man who waits until he is in his 50's or 60's before taking life insurance into his budget is frequently dismayed to find on applying that he is then unable to pass the necessary physical examination.

Life insurance at any age—young or old—depends upon the family conditions (number of dependents, and if children, their ages); the average annual income of the applicant; and the savings or investments through other sources, when advice is given as to the manner of placing the protection. If you wish to advise me more in detail as to these particulars, I shall be very glad to write you further.

Editor's note: Mrs. Clarendon's fifth article on Insurance for Various Age Groups will appear in the November 20 *issue.*

KEEP POSTED

We urge our readers to take full advantage of this service. Address, Keep Posted Department, MAGAZINE OF WALL STREET, 42 Broadway, New York City.

THE PARTIAL PAYMENT
method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224)

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To hasten the rapid growth of Florida, the rate for first mortgage bonds in that state is 8%. This interesting booklet tells why they are safe. (322)

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A convenient record book for listing bond holdings, interest payments, profits, etc. Title heading of book, "My Investments." A limited number is being distributed gratis by a leading Bond House. (285)

AN UNUSUAL REFERENCE RECORD FOR INVESTORS AND TRADERS
Illustrated circular and samples of sheets used in superior loose-leaf system of eleven forms and monthly index, 7¾" x 5". (260)

HOW TO VALUE PUBLIC UTILITY COMMON STOCKS

(*Continued from page* 27)

pany is not injured in any way.

Now, should the holding company stock, earning $12 sell for, say, $120? Let us see both possibilities. If there is an increase of merely 10% in net earnings of the subsidiary corporations, or $450,000 additional, this would mean 15% additional attributable to the common stock of the holding company. This would add $1.80 per share per annum to its earnings. On the contrary, however, let there be a decline of 20% in net revenues applicable to operating company common stock. This means that only 3.6 millions is to be apportioned, 1.5 millions to senior securities and 2.1 millions to holding company common stocks. Earnings attributable to the common stock of the holding company have declined by $900,000 or 30%, although net earnings of subsidiaries have declined only 20%.

In other words, holding company common stocks cannot show the stability of earning power that is characteristic of operating company common stocks. They advance more rapidly in earning power, but they decline more rapidly also. These facts have not been clear in the last two or three years because holding company systems have grown amazingly and earnings per share are not comparable from year to year. As holding company systems become at least as permanent as the rails, this simple fact will become obvious.

Since such common stocks are more speculative, in a good as in a bad sense, the question of speculative value comes into play. Just what are future earning power possibilities to be capitalized at? One illustration will suffice. A hydro-electric company has been compelled to invest more and more in capital equipment so that finally its investment is six times its annual gross revenues. When the revenues situation turns it will "sit pretty." It need invest little more, and the increasing revenue is nearly all net. How should the investor value such a possibility?

The cost of speculation can rather easily be valued. Money is worth, say, 6% per annum. It doubles itself, accordingly in twelve years. Unless a security doubles in value in twelve years, if it is not a dividend payer, it has lost money for the speculator. But there is one important difference. Money invested at 6% is certain to double itself in twelve years, whereas speculative money may not. Hence the rate of increase must be greater.

In view of the cost of speculation, if the stock is not a dividend payer, and it is not likely to show large profits in the next three or four years, its future can safely be disregarded. If, on the other hand, it pays a good return today, its possibilities may

(*Please turn to page* 82)

The North American System

The North American Company

A Sound Dividend Policy

THE policy of paying regular quarterly dividends in Common Stock—2½% quarterly—inaugurated by this Company in April, 1923, is equivalent to combining cash dividends with rights to subscribe at par for additional stock. It differs, in effect, from a practice, long established among corporations of paying dividends in cash and offering subscription rights, only in that it gives stockholders more frequent and convenient subscription privileges.

Common Stock issued since the present dividend policy was adopted three and one-half years ago has been as follows:

	Par Value	Increase	Par Value
Outstanding March 31, 1923			$22,556,950
Issued for cash on outstanding subscription warrants, and for acquisition of new properties	$7,549,457	34%	
In payment of dividends on Common Stock	9,789,224	43%	
Total increase	$17,338,681	77%	17,338,681
Outstanding September 30, 1926			$39,895,631

During the same period Balance available for Common Stock Dividends and Surplus increased 110%

The Common Stock issued in payment of dividends was equal to about 7% of the cost of net additions to plants and systems of operating subsidiaries during the same period, not including the new properties acquired.

The electric industry has, on the average, doubled in periods of approximately five years. The necessity of extensive use of electric power in practically every important industry to keep down production costs, and the many new applications of its use for both domestic and commercial purposes, assure the continued sound growth of the industry.

Well operated public utility companies must keep pace with the growth of the communities they serve in order to earn and retain public confidence and retain the exclusive right to serve their territory. Their financial position should be such as to warrant the highest credit and encourage a free flow of the large amounts of needed capital.

A conservative stock dividend policy is admirably adapted to the sound and rapidly growing electric light and power business. Subsidiaries such as ours should obtain about one-half of their capital requirements by the issuance of bonds, and the balance by preferred stocks, sold locally, and by common stocks.

The parent company must make additional investments in the common stocks of its operating subsidiaries in order to maintain well balanced capital structures and prevent impairment of their credit.

Our dividend policy provides a reasonable part of the funds required for investments by The North American Company in the equities of its subsidiaries.

Preferred and Common Stock listed on New York Stock Exchange.

THE NORTH AMERICAN COMPANY

60 BROADWAY, NEW YORK

(*Continued from page 80*)

rightly be valued, but at only a slight advance over the capitalization of the present rate of return. The investor must remember that waiting for future profits is a costly proceeding, and that he should not pay too much for this "privilege."

The upshot of this study is simple enough. Holding company securities are cheap when they sell at about eight times their *true* earnings per share. Operating companies can do better but they should not sell at more than twelve times annual earnings, except in the case of water companies, where a higher ratio is permissible. Future possibilities ought to be valued at 25% per annum at best. That is to say, doubling in earnings should take place in four years to make it worth while to forego dividends for that period. These rough tests, while subject to many corrections for individual companies are all that most investors need to keep them out of danger, and in profits.

Investors should not place too much reliance on nominal amounts "earned per share." Assume the gross revenues of a system to be, say, 5 millions. The operating net is 2 millions. Only $200,000 is attributable to holding company common stock. There are only 50,000 shares outstanding so that $4 is earned per share. Yet a decline of 5% in gross would imperil the holding company common stock revenues, so that they would be wholly wiped out. Earnings per share depend on the proportion of revenue attributable to the common shares. If senior obligations are large, as a proportion, then the common stock's earnings per share are not a very important index of future earning power. Stability or gains in actual revenues becomes the main question.

The foregoing considerations have been fully applied in rating the utility common stocks in the accompanying table, as also in computing the figure at which these stocks would be cheap.

KING COTTON ABDICATES

(*Continued from page 25*)

The loss to southern railroads is not subject to measurement and, in any event, is not likely to be material. Except insofar as cotton is withheld from the market because of prevailing low prices, the large crop means greater freight movements at the same rates as heretofore. Then again, cotton stored now must eventually find its way to market so that revenues reduced on the score of smaller distribution now will eventually be recovered. On the other hand, curtailment of demand for commodities in the north will doubtless be reflected in a decline of freight traffic in the classes of goods previously referred to.

Happily for the cotton grower and

(*Please turn to page 84*)

Keep Posted

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses of the highest standard. They will be sent free on request, direct from the issuing house. Ask for them by number.

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

MAKING PROFITS IN SECURITIES

A valuable 40-page booklet, pointing out sound methods to use, also pitfalls to avoid, in buying and selling stocks for profit. Ask for your free copy, No. 377.

HOW TO GAIN INDEPENDENT MEANS AND A LIFE INCOME

Presents the details of eleven plans whereby the investor can acquire financial worth of from $8,815 to $65,719 by the systematic investment of from $10 to $100 monthly. Figures verified by Haskins & Sells, Certified Public Accountants. For a free copy of this booklet, ask for 344.

FOR INCOME BUILDERS

This booklet describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent, independent income may be built through the systematic investing of small sums set aside from current earnings. Ask for 318.

FOR INCOME BUILDERS

This booklet describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent, independent income may be built through the systematic investing of small sums set aside from current earnings. Ask for 318.

HOW TO JUDGE SOUTHERN MORTGAGE BONDS

This free booklet contains the net of this old-established Company's experience in the First Mortgage Investment Field in the South. Ask for (302).

A QUESTION ANSWERED

An extremely interesting illustrated booklet explaining how a stock exchange firm handles out-of-town business. It shows you orders are treated from the time the letter arrives to the final placing of the certificates purchased. (278)

THE REAL ESTATE INVESTMENT OF THE FUTURE

Mr. Fred F. French, one of the country's foremost real estate authorities, has explained the operation of the French Plan in the above mentioned book. Send for your free copy (348).

FIFTY-THREE YEARS OF PROVEN SAFETY

An interesting and handsomely illustrated booklet describing the investment principles which have made possible the record of "No Loss to Any Investor in Fifty-Three Years" for owners of Smith Bonds. Ask for 326.

ODD LOTS

A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors. (225)

44 YEARS WITHOUT LOSS TO ANY INVESTOR

The well-known firm of investment bankers who bring out this booklet have endeavored in the 1925 edition to present a comprehensive story of the business methods which for 44 years have insured the safety of all their underwritings to the end that no investor has ever suffered a loss or been compelled to wait even a single day for the payment of principal and interest upon his securities. (217)

"RULES FOR SAFE INVESTMENT"

Knowledge gained over a long period of years makes it possible to determine whether a given spot in a city will have a growth in property value which will be steadily increasing. This is only one of the important factors of safety of Real Estate Bonds which are explained in this booklet. Ask for 327.

USE OF OPTIONS

The exceptional profit possibilities in Stock Options and their uses to supplement margin and for protection against losses in the Stock Market fully explained in a free circular. (284)

(*Continued from page* 82)

for those businesses that are influenced most by his condition, the situation created by the present depression is analogous to that of 1921 only in respect to the discouraging price level. In that earlier period, credit was scarce and consequently dear. Today, the South's credit facilities are such that the banks may more readily aid the grower in storing his crop.

This means tying up funds that might have been used in other business channels and will also involve the grower in new financial obligations to the detriment of future purchasing power. At the same time, orderly marketing of the crop should prevent a repetition of post-war demoralization and hence the prolonged crippling of the farming South's ability to buy.

Then again, the South, outside its agricultural interests, is far less susceptible to changes in the fortunes of its cotton planters than at an earlier time. Twenty years ago, for example, a break in cotton such as that witnessed in October would have seriously deranged the whole economic structure. Today, by virtue of the extension of manufacturing activities, southern industry has reached a degree of diversification that places it in a much stronger position to resist depression in cotton.

In fact, the cotton growers' misfortunes, strangely enough, may well prove the salvation of the textile industry. High prices for cotton have acted as a strong deterrent to sales of cotton goods. Producers have operated on part time schedules to their obvious disadvantage during the past three years or more. The southern textile manufacturer has had a little the better of his northern competitors because of lower wage costs but with the decline in raw cotton, both northern and southern mills have taken a new lease of life. Low prices promise to materially stimulate the consumption of cotton goods. Meanwhile, the consumer of cotton good gains in purchasing power by the amount of saving in prices paid for such goods. Thus, the grower's loss is not a complete economic catastrophe.

The latter may express resentment against his plight by a tendency toward mild political radicalism which may be disturbing to general business. This factor, however, is even less susceptible to definite analysis than the actual loss in volume of demand in any given line of industry. When this feeling of not unnatural though futile resentment has passed, it is probable that the southern cotton grower will set himself to the problem of adjusting production to more reasonable limits, in the hope of avoiding recurrence of the present discouraging experience.

Notice

The article on the vitaphone industry which was scheduled several issues ago has unavoidably been postponed. It will definitely appear in one of the December issues.

The article on securities listed on various local exchanges will be published in the December 4 issue.

Over-the-Counter

IMPORTANT ISSUES
Quotations as of Recent Date*

	Bid	Asked
Aeolian Co., pfd. (7)	75	80
Aeolian Weber	25	32
Aeolian Weber, pfd. (7B)	99	103
Alpha Port. Cement (3)	38	41
Pfd. (7)	115	...
Aluminum Co. of Am.	68	71
Pfd. (6)	101	103
Pfd. Warrants	98	...
American Arch (7P)	106	109
American Book Co. (7)	130	135
Amer. Cyanamid (new):		
Cl. A (0.80P)	33	36
Cl. B (0.80P)	33	36
Pfd. (6)	88	91
Amer. Dist. Teleg. (3)	65	...
Conv. Pfd. (7)	107¾	109½
Amer. Meter Co. (7)	80	84
Atlas Port. Cement (2)	41	44
Pfd. (2.66)	43	46
Babcock & Wilcox (7)	113	115
Barnhart Bros. & Spindler:		
1st Pfd. (7) G	103	106
2nd Pfd. (7) G	100	...
Bliss (E. W.) Co. Ctfs.	25¾	26½
1st Pfd. (4)	57	...
Cl. B Pfd. (0.60)	10	11½
Bohack (H. C.) Co. (10)	145	155
1st Pfd. (7)	98	101
Borden Co. (4P)	93	94½
Bucyrus Co. (7P)	220	230
Pfd. (7)	105	110
Congoleum Co. Pfd. (7)	105	107
Continental G. & El. (4.4)	180	...
Part Pfd. (8)	100½	101½
Prior Pfd. (7)	97	98½
Devoe & Raynolds:		
2nd Pfd. (7)	97	...
Fajardo Sugar (10P)	135	137
Franklin Rwy. Sup. (4)	78	82
Giant Port. Cement	55	60
Pfd. (3.5B)	50	55
Hercules Powder (8)	170	175
Pfd. (7)	116½	118
International Silver (6)	93	96
Pfd. (7)	104	107
Jos. Dixon Crucible (8)	141	144
Johns-Manville, Inc. (3)	137	140
Knox Hat (4)	75	80
Pr. Pfd. (7)	96	98
Part Pfd. A (8)	85	86
Lehigh Port. Cement (3)	88	90
Leonard, Fitzpatrick, Mueller	30	33
Pfd. (8)	112	116
McCall Corp. (2)	54	57
Manhattan Rubber (2.5)	39	43
Metropolitan Chain Stores:		
1st Pfd. (7)	101	104
2nd Pfd. (7)	100	103
Nat'l Fuel Gas (6P)	162	166
Neisner Bros.	37	39
Pfd. (7)	94	98
New Jersey Zinc (8P)	178	184
Phelps Dodge Corp'n (4)	128	133
Pierce, But. & Pierce (2)	27	30
Pfd. (8)	99	102
Richmond Radiator	15	18
Pfd. (3)	38	42
Royal Baking Powder (8P)	163	169
Pfd. (6)	101	10[illegible]
Ruberoid Co. (4)	76	81
Safety Car H. & L. (8P)	127	130
Savannah Sugar (6)	140	145
Pfd. (7)	119	123
Shaffer Oil & Ref. Pfd. (7)	105	..
Sheffield Farms Pfd. (6)	99	101
Singer Mfg. Co. (10P)	360	363
Singer, Ltd. (¼)	6	6½
Superheater Co. (6P)	150	155
Technicolor, Inc.	3	5
Valley Mould & Iron	15	20
Pfd. (7)	75	85
Wash. Ry. & Elec. (5)	175	195
Pfd. (5)	89	92
White Rock 2nd Pfd. (6P)	110	130
1st Pfd. (7)	95	100
Woodward Iron	70	80
Pfd. (6)	80	90

*Dividend rates in dollars per share designated in parentheses.
G—Guaranteed as to principal and dividend by Amer. Type Founders.
P—Plus extras.
B—Also extras on account of arrears.

TRADING in unlisted stocks was inclined to sluggishness, taking its cue from the action of the organized exchanges. Quotations for the majority of issues receded from previous high levels but good buying was in evidence among stocks of investment calibre and over-the-counter stocks generally held their ground well in the face of irregularity in other markets. *Knox Hat common* and *preferred* stocks were conspicuously strong. Betterment in their market position was evidently based upon further improvement in earning power. Initial dividends on the common and second preferred stocks were paid last May.

NEISNER BROTHERS, Inc.

Steady extension of the chain store idea has, within recent times, brought many of the smaller but none the less successful companies into the list of investment possibilities. Neisner Bros., for example, was organized as a partnership about fifteen years ago to conduct a 5 cents to $1 merchandising business in Rochester, N. Y. In 1916, the enterprise was incorporated.

From an original investment of $12,000, assets had grown to 1.89 million dollars at the close of 1925 and number of stores from one to 13. Sales reached a total of 2.69 millions last year compared with the $198,061 of gross business done at the original location in 1912. Until recently, the company was a closely held private enterprise, extending its operations from Rochester to twelve other cities in New York, Pennsylvania, Massachusetts, New Jersey, Michigan, Delaware and Ohio without the aid of public financing.

Early this year, however, the company offered $522,400 of its one million 7% cumulative preferred stock to over-the-counter investors in order to finance the continued growth of the business.

Three new stores will be included in the Neisner chain at the close of 1926 with several others to be established. While, for all practical purposes, it may be considered hat the 1926 additions played only a small part thus far in expanding sales, nevertheless, the company's revenues increased more than 60% in the first eight months of the year. It is estimated that sales will reach a total of 4.5 million dollars for the twelve months, indicating a balance in excess of $3 a share net profit for the 80,000 outstanding shares of no par value common stock. This issue would seem to have good long pull prospects while the 7% preferred, which is callable at $115, may be regarded as a sound investment.

GENERAL MOTORS—A POPULAR CONTEST

(*Continued from page* 51)

very excellent earning power which the company has shown and the value will, of course, fluctuate with that earning power. This, in turn, will no doubt be affected by general business conditions, although this company is in much better condition to withstand the effects of a depression than many of its competitors. Like many common and some preferred shares, these represent the marginal ownership of the business and would be most affected by any change in the earnings of the company, reflecting good earnings in periods of prosperity and also showing the effect of decreased earnings during depressions. The common stock is therefore a speculative security although of the better class.

The company has shown good results from able management, adequate capital, aggressive sales and manufacturing programs and enterprising research and diversification policies. That the common stock has proved a profitable speculation in the past is shown by the fact that each original $100 share of 1908 has grown to sixty of the present shares and has returned patient holders $3,386.50 in cash dividends during the last eighteen years.

Russell B. Christie.

Important Corporation Meetings

Company	Specification	Date of Meeting
Canadian Pacific Ry.	Directors	11-8
Pan American Petrol. & Trans.	Special	11-8
Ahumada Lead	Directors	11-8
Atlas Powder	Com. Div.	11-9
California Petroleum	Com. Div.	11-9
Electric Storage Battery	Directors	11-9
Remington Typewriter	Directors	11-9
Tenn. Copper & Chemical	Directors	11-9
Western Union Telegraph	Directors	11-9
Air Reduction	Directors	11-10
American Sugar Refining	Dividend	11-10
Eastman Kodak	Dividend	11-10
Federal Light & Traction	Directors	11-10
Foundation Co.	Dividend	11-10
Gillette Safety Razor	Directors	11-10
Macy, R. H.	Directors	11-10
Manhattan Ry.	Annual	11-10
Marland Oil	Directors	11-10
Packard Motor	Directors	11-10
Sinclair Consolidated	Directors	11-10
Woolworth, F. W.	Directors	11-10
American Locomotive	Exec. Comm.	11-11
American Ry. Express	Dividend	11-11
California Packing	Directors	11-11
Colorado Fuel & Iron	Directors	11-11
General Motors Corp.	Dividend	11-11
Southern Pacific	Dividend	11-11
Underwood Typewriter	Directors	11-11
Union Pacific System	Com. Div.	11-11
American Type Founders	Annual	11-12
General Cigar Co.	Directors	11-12
Simms Petroleum	Directors	11-12
South Porto Rico Sugar	Annual	11-12
American Tobacco	Pfd. Div.	11-15
Baltimore & Ohio R. R.	Annual	11-15
Barnet Leather	Directors	11-15
Brooklyn-Manhattan Transit	Directors	11-15
Cushman's Sons	Directors	11-15
du Pont (E. I.) de Nemours	Dividend	11-15
Burroughs Adding Machine	Directors	11-16
Chesapeake & Ohio	Directors	11-16
Kayser, Julius, & Co.	Annual	11-16
Kelly-Springfield	Directors	11-16
Mackay Cos.	Directors	11-16
Youngstown Sheet & Tube	Directors	11-16
American Tel. & Tel.	Dividend	11-17
Austin, Nichols	Directors	11-17
Commercial Solvents Corp.	Directors	11-17
Fairbanks, Morse & Co.	Com. Div.	11-17
National Cloak & Suit	Directors	11-17

Bank and Insurance Stocks

Quotations as of Recent Date

NATIONAL BANKS	Bid	Asked
American Ex-Pacific (18A)	450	460
Chase (18A)	405	412
Chatham & Phenix (16)	358	364
Chemical (24)	800	815
City (20A)	605	615
Commerce (16)	385	390
First (N. Y.) (100A)	2525	2575
Hanover (27)	1000	1025
Park (24)	492	499
Public (16)	525	535
Seaboard (16)	695	705
TRUST COMPANIES:		
Bankers (20)	618	624
Bank of N. Y. & Trust Co. (24)	625	635
Brooklyn (30)	790	810
Central Union (33)	890	910
Empire (16)	360	368
Equitable (12)	273	277
Farmers' L. & T. (16)	538	545
Guaranty (12)	405	410
Irving Bank & Trust Co. (14)	297	304
Manufacturers (20)	509	515
New York (20)	535	540
United States (60)	1730	1760
STATE BANKS (NEW YORK):		
America (12) (V. T. C.)	300	330
Corn Exchange (20)	555	570
Manhattan Co. (8C)	221	225
State (16)	590	610
United States (10)	305	315
INSURANCE COMPANIES:		
Aetna Fire (24)	490	510
Aetna Life (12)	550	560
*Fidelity-Phenix (6)	184	188
*Continental (6)	129	133
Glens Falls (1.60)	38	40
Globe & Rutgers (36)	1375	1425
Great American (16)	277	283
Hanover (5)	180	190
Hartford Fire (20)	450	470
*Home (18)	334	338
*Carolina (1.20)	30	33
Milwaukee Mech. (1.60)	34	38
National Fire (20)	700	720
Niagara (10)	224	228
*North River (4)	107	115
*United States (5.60)	135	142
Stuyvesant (6)	190	200
Travelers (20)	1150	1170
Westchester (2.50)	43	45
SURETY AND MORTGAGE COMPANIES:		
American Surety (8)	182	186
National Surety (10)	214	217
Lawyers Mortgage (14)	275	285
Mortgage Bond (8)	140	150
JOINT STOCK LAND BANKS:		
Bankers of Milwaukee	65	75
Chicago (6)	80	90
Dallas (10)	130	135
Denver (8)	121	127
Des Moines	70	80
First Carolina (8)	115	125
Kansas City	83	90
Lincoln (9)	133	138
New York (10)	150	160
St. Louis (8)	140	150
Southern Minnesota	65	75
Virginia (.50B)	7	7½

(A) Includes dividends from Securities Company. (B) Par \$5. (C) Par \$50. *Members same group.

THE most important news in the banking field since last spring has been the announcement of a merger of Irving Bank & Trust Company with American-Exchange-Pacific National Bank. The new institution will have the title of American Exchange-Irving Trust Company. It ranks as the third bank of the United States, commanding resources of approximately 730 millions, and is eclipsed in total resources only by Chase National and National City Bank. Irving and American Exchange have themselves only recently emerged from important mergers, so that the tendency to consolidation is strikingly illustrated by this merger. The holders of American Exchange-Pacific stock will exchange for \$70 and one and a third shares of the new bank, one share of their present holding, plus their pro rata interest in the subsidiary securities company belonging to American Exchange. It is obvious that they have benefited considerably by the terms of exchange.

The third gigantic merger within a year, the union of Irving and American Exchange has focused investor attention on the merger possibilities remaining in the New York city banks. One factor leading to mergers has been the provision that no bank or trust company can lend more than 10% of its capital and surplus to any one borrower. The growth of huge industrial combines was not paralleled in the banking field, so that the wants of client corporations soon exceeded the possibilities of their banks. The private bankers were fortified by this limitation, and the large banks of deposit somewhat injured thereby. On the other hand, a bank with 50 millions in capital and surplus is able to take care of a large borrower up to five millions. Apart, however, from this technical reason for large mergers, the fact remains that the concentration of financial institutions must proceed apace with that of industrial companies. Branch banking in a great city like New York itself requires large capital. The same will eventually be true of Chicago, Boston, etc. As for California the law is so hospitable to this type of merger that it has reached its highest development in that progressive community. In the East, however, where branches out of the city are still frowned upon by most experts, the principal reason for mergers is in the possibility of nation-wide corporate financing. The concentration of Great Britain and Canada will never be reached because of opposition to country branches, but the percentage of resources held by the larger banks will be such that for all major operations they alone will be qualified. We are on the eve of a real epoch of concentration in the greater institutions, with attendant profits to shareholders.

The quotations of Joint Stock Land Banks are disquieting in several instances. In our next issue, the banks will be individually commented upon, so that an expectant body of investors can be appropriately guided.

TRADE TENDENCIES

(*Continued from page 45*)

As yet, there have been comparatively few freight car orders; but the outlook for car builders is brighter. Railroad buying continues unabated and fourth quarter steel production will be helped considerably by the fact that early specifications against rail contracts will have to be covered. Competition in steel is expected to be sharp, owing to the affect of the European cartel on our export business, but on the other hand prices will probably benefit thereby.

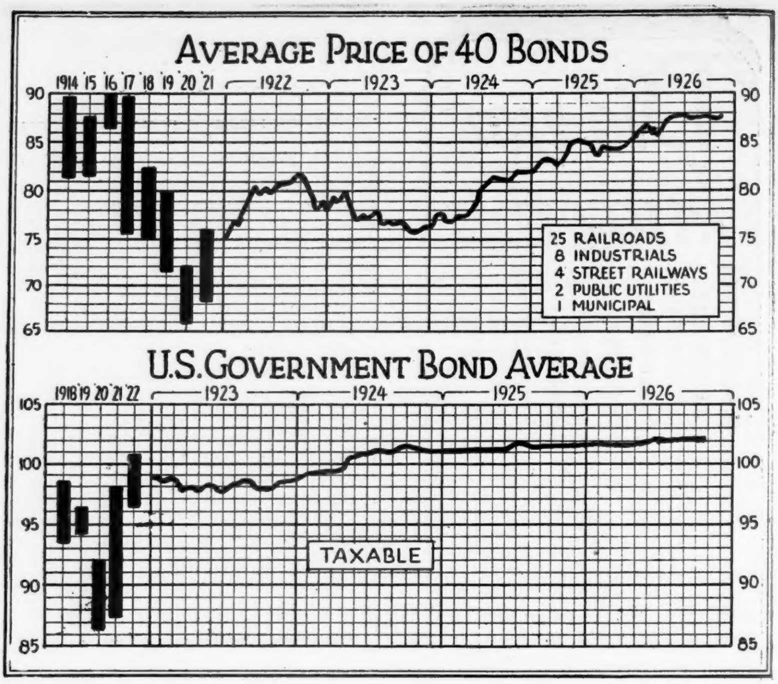
Pig iron sales are numerous. The coke market has been growing firmer because of larger coal demand; this is of material aid to prices. Merchant pig iron producers are quoting basic valley from $18 to $18.50. Foreign iron sales are decreasing as prices advance. In most districts dealers are awaiting first quarter buying.

RAILROAD EQUIPMENT

The current prosperity among the carriers of the country has not found proportionate reflection in the equipment industry. More efficient management of railway traffic, including increased service from cars and locomotives through longer trains and hauls, rapid release of empties and prompt repair, has enabled the roads to handle unprecedented business with no equipment shortage. Consequently, replacement demand has not been heavy and buying somewhat restricted for more than a year. Indeed it has only recently showed signs of assuming appreciable proportions.

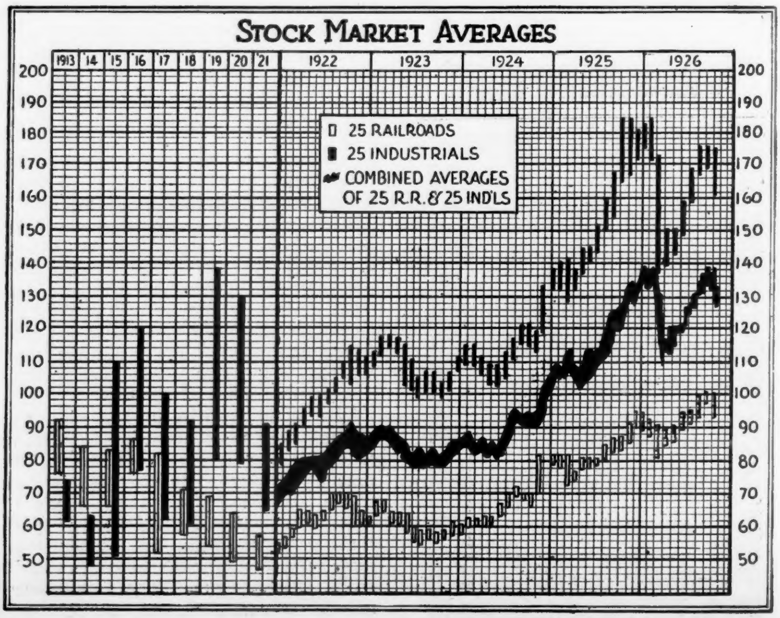
Locomotive builders are more active, with fourth quarter business giving promise of more than offsetting the poorer volume of early months. Orders placed with car builders for the first nine months showed little or no improvement over the corresponding period of last year. The tendency of many roads to build and repair their own freight cars has materially affected the volume ordered. Nevertheless prospects for the balance of the year are more heartening as larger purchases by many lines become imperative. Manufacturers of signal and track devices have of course profited by recent compulsory regulations for safety equipment. For them the year has been a good one with every indication of continued prosperity.

The latter months of the year are normally the most active in equipment ordering; in addition it is felt that the time is at hand when the pressure of traffic alone must force the roads to continue heavily in replacement purchasing to maintain the efficiency of their service, and manufacturers should enjoy increasing activity for several months to come.



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, Oct. 14..	87.44	152.10	117.68	132.99	130.92	1,645,829
Friday, Oct. 15....	87.36	147.95	115.62	131.88	128.51	2,165,810
Saturday, Oct. 16..	87.40	146.85	115.05	129.24	127.99	1,135,015
Monday, Oct. 18..	87.44	148.20	115.76	130.23	128.07	1,658,901
Tuesday, Oct. 19...	87.40	145.66	115.28	130.86	127.07	1,873,317
Wednesday, Oct. 20	87.36	146.73	114.70	128.83	126.82	2,108,440
Thursday, Oct. 21..	87.42	149.38	116.95	130.33	128.40	1,836,936
Friday, Oct. 22....	87.51	148.51	116.36	130.70	128.21	1,717,723
Saturday, Oct. 23..	87.60	149.56	116.51	130.03	129.08	763,800
Monday, Oct. 25...	87.63	148.78	116.76	130.23	128.82	977,998
Tuesday, Oct. 26...	87.74	149.35	117.23	130.50	129.29	1,185,112
Wednesday, Oct. 27	87.82	151.87	118.77	131.71	129.79	1,522,580



San Francisco Stock and Bond Exchange

THIS table is published regularly for the convenience of those of our subscribers and readers who are, or may be, interested in leading Pacific Coast securities.

Bank and Public Utility Stocks

		1926		Last Sale
	Div. Rate	High	Low	Oct. 27
Anglo & London Paris Nat. Bank	$10.00	202	191¾	195
Bancitaly Corporation	2.24	82	72	80½
Bank of Italy	16.00	465	436	452½
East Bay Water A Pfd	6.00	98⅛	93½	96
Federal Telegraph	....	13⅝	8¾	11½
Great Western Power Pfd	7.00	110	101	103¼
Key System Prior Pfd	7.00	89⅞	65	70
Los Angeles Gas Pfd	6.00	100⅜	95⅛	99¾
Pacific Gas & Elec. 1st Pfd	6.00	102¾	97	100½
Pacific Gas & Elec. Common	8.00	134	118	128⅜
Pacific Telephone & Tel. Pfd	6.00	104	99⅞	103¾

Industrials and Miscellaneous

	Div. Rate	High	Low	Last Sale
Alaska Packers' Assn	8.00	180	160	170
California Packing	4.00	74¼	67⅛	67¾
California Petroleum	2.00	38¼	30	30¾
Caterpillar Tractor	5.00	150	111½	134½
Emporium Corporation	2.00	38	36	37
Fireman's Fund Insurance	5.00	97½	90	90
Foster & Kleiser (cm.)	1.00	13	11	12½
Hale Brothers	2.00	36⅛	35¼	35¼
Hawaiian Coml. Sugar	3.00	48	44	47
Hawaiian Pineapple	1.80	60½	48	54½
Home Fire & Marine	1.60	38¾	32½	32⅝
Honolulu Cons. Oil	2.00	40¼	35	37¼
Hunt Brothers Packing "A"	2.00	26¾	24	26⅜
Illinois Pacific Glass "A"	2.00	33	20½	29
North American Oil	3.60	42	32⅛	38⅝
Paraffine Common	6.00	109	84¼	106
Schlesinger A Common	1.50	27¾	22½	24½
Shell Union Oil	1.40	30½	23⅞	29½
Southern Pacific	6.00	110¼	96¼	106
Sperry Flour Common	....	61½	40	41
Spring Valley Water	6.00	108	100	103
Standard Oil of Calif	2.00	63¾	52⅝	60¼
Union Oil Associates	1.99	67	36⅜	55
Union Oil of California	2.00	66¼	37½	54½
Union Sugar Common	2.00	29½	19½	19½
United Oil Co	2.00	82¾	56	74½
Yellow & Checker Cab "A"	.80	10⅝	9	9
Zellerbach Corporation	1.50	29⅜	24½	26¾

HIGH TARIFF OR FREE TRADE

(*Continued from page 54*)

duties in some schedules. Most of the majority, however, are rather languid about piecemeal tinkering with the tariff, even though they have been pinched by some of its provisions. Not so A. E. Reynolds, seed merchant, Crawfordsville, Ind. He wants the duty on red clover seed, $2.40 a bushel, reduced without delay, and evinces some doubt of the interest of the lawmakers in the plight of the farmer when they make him pay a duty of $2.40 on his seed and keep the duty up on other goods the farmer must buy. He declares that the pressure of exports makes for larger imports by the lower duty way. A lower tariff, he is sure, would not depress business; it might depress wages, and he piously hopes that it would. One manufacturer says the price of a sufficient export either is lower tariff or lower wages.

Mr. Reynolds has an obvious right to speak for the farmer when speaking for himself, but those American industries that have to import agricultural raw materials because not enough are produced at home don't think much more of a tariff on industrial flaxseed than Mr. Reynolds does of one on clover for seed. John B. Gordon, Washington, who is associated with the vegetable oil industries of the country, signs his John Hancock to a demand for a lower tariff, though he refrains from making an appeal for the particular benefit of his group. He says we've got to have a lower tariff to keep prosperous. The way he figures it is that a lower tariff will mean larger exports in return for larger imports; which, in turn, will mean more production, more business and more employment at home. In fact, we simply can't, as Mr. Gordon sees it, keep our plants and people busy unless we increase foreign trade both ways.

The bakers, the steel people, the cement makers, and others beg to be excused, although the steel men are already intimating that they need more protection to keep out French, German, Belgian and Indian iron and steel, and the bakers admit that they would like to have some hard Canadian wheat in their floor, at less than a 42-cent tariff. The Manufacturing Chemists Association loudly proclaims its devotion to the present tariff law.

President Sydney Anderson of the Millers National Federation thinks the American business world is as strongly in favor of the protective tariff system as ever, "but there is a growing body of businessmen who believe that modifications of at least some items of the tariff downward could be made in the interest of our foreign trade, and that such modifications would tend not only to increase imports but also to increase exports. * * * Lower duties on wheat and flour [note that Mr. Anderson is

(*Please turn to page 96*)

New York Curb Market

IMPORTANT ISSUES

Quotations as of Oct. 26

Name and Dividend	1926 Price Range High	Low	Recent Price
Albert Pick Barth wi†	13¼	10	13
Amer. Gas & Elec. (1)††	110⅛	64	104¼
Amer. Super Power A (1.2)†	37⅞	19⅛	28½
Amer. Super Power B (1.2)†	39	21¼	29
Beacon Oil*	19⅝	14⅛	16¾
Celotex Co. (6)	207	117	173
Centrif. Pipe (1)*	27	15¾	18
Cities Service New (1.2)†	47¼	37½	47¼
Cities Service Pfd. (6)†	89⅝	82⅜	90⅜
Consolidated Laundries (2)*	28½	21	21
Curtiss Aero†	23⅞	15⅛	16½
Curtiss Aero Pfd. (7)†	89½	75½	82
Durant Motors†	14⅞	3⅛	10
Elect. Bond & Share (1)†	86	56½	65¾
Electric Investors†	74⅛	30¾	37½
Fed. Purchase "A" (3)*	35⅛	29⅞	31⅜
Fed. Purchase "B" (1)*	17½	9⅛	11⅝
Ford Motor of Canada (20)†	655	391	397
General Baking A (5)*	79⅛	44½	54
General Baking B*	18	5	6⅛
Gillette Safety Razor (3)†	114	89	94½
Glen Alden Coal (7)†	184	138½	178½
Goodyear Tire & Rubber†	40	28	32
Gulf Oil (1.5)†	93¾	82	89½
Happiness Candy Store (50c)*	7¾	5⅞	6¼
Hecla Mining (2)†	19¼	15½	17
Horn & Hardart (1.50)†	62⅞	41	51½
International Utilities B†	9⅞	3⅛	4⅛
Land Co. of Florida†	47¾	20	20
Lion Oil & Refining (2)*	25¾	20	21⅛
Metro Chain Stores††	50½	25½	32
Mountain Producers (2.40)†	26	23	24

Name and Dividend	1926 Price Range High	Low	Recent Price
New Mex. & Arizona Land†	17	9⅛	9
Nipissing Mining (60c)*	7½	5	5
Northern Ohio Power†	26⅛	11	12
Pacific Steel Boiler*	16⅜	11	13
Puget Sound P. & L.†	66⅛	26	26
Reo Motor (80c)†	25⅜	19¼	19
Rickenbacker Motor*	9½	1¼	1
Salt Creek Producers (80c)†	36	26¾	28
Servel Corporation A†	22¾	12⅜	13
Southeast Pwr. & Lt. new†	46¾	20	28
So'east Pwr. & Lt. Pfd. (4)†	69¾	59	67
Stutz Motors*	37¾	16⅛	17
Trans Lux*	14	6½	8
Tobacco Products Export†	4⅞	3¼	3
Tubize Artif. Silk†	240	160½	16
Victor Talking Machine†	106½	68	9

STANDARD OIL STOCKS

Name and Dividend	1926 Price Range High	Low	Recent Price
Continental Oil (1)†	25⅞	17½	18
Humble Oil (1.2)†	99⅝	52	54
International Pet. (50c)†	35¼	28¾	31
Ohio Oil (2)†	67⅜	55⅜	58
Prairie Oil & Gas†	60¼	48	50
Standard Oil of Ind. (2.5)†	70⅛	61⅛	63
Standard Oil of N. Y. (1.4)†	47¼	30⅝	31
Vacuum Oil (2)†	109¾	94	96

Note:
*Listed in the regular way.
†Admitted to unlisted trading privileges.
††Application made for full listing.

WEAKNESS in other markets brought considerable selling to the Curb list, especially among the industrial issues which lost from two to ten points from their prevailing prices a fortnight ago. The public utility group was the strong spot of the market, showing both greater resistance to the decline and a stronger recovery when prices rallied. With a few exceptions, the utility shares gained practically all their loss and some of the leaders, such as *American Gas & Electric* and *Cities Service*, both common and preferred, gained several points on the rally over their previous level. The earnings statement covering twelve months to October showed a sharp improvement in Cities Service net earnings and there was little selling noticed in spite of profit taking throughout the rest of the list.

Industrials Are Irregular

The oil shares held fairly steady and the Standard Oil issues on the Curb, on the average, are priced at about the same level of a few weeks ago. The specialties among the industrials were quite irregular. *Goodyear Tire and Rubber* was a little unsettled by the threat of litigation to remove the present officials but after the early selling regained all of its loss and added a few points gain to its price of a few weeks ago. The motor shares were quite weak. *Rickenbacker* sold as low as 1¼, a new low point for the year as shareholders become apprehensive concerning their company's ability to weather present competitive state of affairs in the automobile industry. *Ford Motors of Canada* also dropped off to a new low point for the year at 391 in spite of encouraging statements of officials relative to the progress of the company in the Western provinces with cars, trucks and tractors.

Servel Corporation

Consistent buying of *Servel Corporation* shares is reported as the officials of this company announce the production in a large way of the new gas fired refrigerator. The sales of this new product will be made through gas companies who, like the electric power companies, are anxious to develop uses for gas which will be spread over the full twenty hours and "iron out" the present peak load problem. This new unit is a Swedish invention, controlled by the Servel Corporation and lends itself to new uses, being fired by gas electricity or kerosene. The Corporation has no new financing in view having capitalized the costs of the new departure through financing earlier this year, and is provided with ample working capital. The shares at their current level at around $13 seem likely to reflect the new earning power anticipated by these late developments in the company's affairs.

(Continued from page 93)

willing to take them together] would undoubtedly facilitate the export of flour from this country, as with the present tariff, the better grades of wheat, at Buffalo, normally run within a few cents of the Canadian price plus the tariff. In other words, as to the better grades of wheat we are normally, under the existing tariff, above the world price level. This fact makes the export of flour exceedingly difficult to maintain." Mr. Anderson is one of those who think that as time goes on manufacturers will be less interested in duties on their products and farmer's more in those on theirs. He does not indicate, however, that there is any chance that eventually the American manufacturer will be so interested in his exports and their cheap production that he will favor free trade in foodstuffs for his workers and throw the farmer overboard, as English industry did in such a situation 75 years ago. That was the deeper meaning carried by Question 7, but the question was too condensed to be plain to most of those who answered it.

While the woolen and worsted manufacturers, with the highest duty on their products, and also on wool, that they have ever had, are in the business dumps, their association declares that it has nothing to say on the tariff question. Not so, the Carded Woolen Manufacturers' Association, which affords a fine example of manufacturing industry and agriculture colliding head on. This association wants to tell the world that it has nothing but contempt for the Fordney-McCumber law. Concernits 31-cent duty on raw wool, regardless of quality, one of the association's pamphlets says: "It is an instrument for the stifling of industry, the adulteration of wool clothing and the spoilation of the many for the benefit of the few." This industry votes "Yes" on the proposal to revise the tariff.

The Tariff Commission fares better than might have been expected in view of its fondness for not making up its mind on anything and its endless internal quarrels. However, in view of the fact that during four years of a measure of control of tariff rates it has been so considerate of American industries as to lower the Fordney-McCumber law duties only on brush handles and live quail (and the brush industry demanded the former) it is, perhaps, not surprising that a protectionist group should vote to continue the commission. Some of those participating in the symposium would abolish the flexible provisions of the tariff law and some would abolish the commission.

The only professional banker to respond to the questionnaire was Evans Woolen, president of the Fletcher Savings and Trust Company, Indianapolis, who happened to be a Democratic candidate for the United States Senate; he made his fight mainly on tariff-reform grounds. His response takes the form of a copy of a speech which vigorously denounces the present tariff law as having been the cause of increased prices

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(Continued from page 96)

that cost the farmers of Indiana, alone, $33,000,000 a year. "That is always the purpose of a protective tariff," he says, "to raise prices"—and he finds the present law aimed to raise them 59% more than its predecessor.

Much as many of the respondents dislike to have it so, the majority view is that the tariff will be the main issue in the 1928 political campaign. One of them remarks that it is the big issue this year and will surely be in 1928.

In review, it may be said that, so far as this symposium is representative, American industry is not forsaking its ancient idol of high protection, is still far more concerned about the home than the foreign market, though beginning to be worried about the latter and will bitterly oppose the efforts of the international bankers to internationalize America commercially as well as financially. The American manufacturer is convinced that he can hold the home market and sell abroad as much as he needs to; he is not interested in the complexities of the laws of international trade. Anyway, if those laws mean that he must choose between protection and more foreign business, he will jettison the latter and international finance, and our foreign loans along with it, if necessary. And the American farmer, already tasting some tariff sweets, and foreseeing a plethora of them as population outgrows domestic agricultural production, appears to be forsaking his traditional fondness for a low tariff system. Evidently nothing but the collapse of protected prosperity will convince the business world of the United States that the "sun do move" and the world is not the same as it was before 1914.

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$7	Am. Smel. & Ref. pf.	$1.75	Q	11-5	12-1
$6	Assoc. D. Gds. 1st pf.	$1.50	Q	11-13	12-1
$7	Assoc. D. Gds. 2d pf.	$1.75	Q	11-13	12-1
$4	Borden Co. cm.	$1.00	Q	11-15	12-1
..	Borden Co. cm.	$0.25	Ext	11-15	12-1
$8	Brooklyn Edison	$2.00	Q	11-12	12-1
$4	Cal. Packing	$1.00	Q	11-30	12-15
..	Childs Co. cm.	1%	Stk	11-26	12-30
$7	Consol. Cigar pf.	$1.75	Q	11-15	12-1
$5	Cont'l Can cm.	$1.25	Q	11-5	11-15
7%	Fair.-Morse pf.	1¾%	Q	11-15	12-1
5%	General Asphalt pf.	1¼%	Q	11-15	12-1
7%	Hercules Powder	1¾%	Q	11-5	11-15
$7	Illinois Central cm.	$1.75	Q	11-5	12-1
$2½	Inland Steel cm.	$0.62½	Q	11-15	12-1
$3	Lig. & Myers Tob. cm.	$0.75	Q	11-15	12-1
$3	Lig. & M. Tob. "B"	$0.75	Q	11-15	12-1
7%	Int'l Harvester pf.	1¾%	Q	11-10	12-1
8%	Kinney, G. R., pf.	2%	Q	11-6	12-1
$3	Lehn & Fink	$0.75	Q	11-15	12-1
$2	Maytag Co.	$0.50	Q	11-15	12-1
$7	Midcont. Petrol. pf.	$1.75	Q	11-15	12-1
$4	Mont. Ward cm.	$1.00	Q	11-4	11-15
$3	Munsingwear	$0.75	Q	11-17	12-1
7%	Nat'l Biscuit pf.	1¾%	Q	11-17	11-30
$7	Nat'l Cloak & Suit pf.	$1.75	Q	11-23	12-1
$0.80	Nat'l Pr. & Lt. cm.	$0.20	Q	11-15	12-1
$4	Nat'l Supply	$1.00	Q	11-5	11-15
$2	Orpheum Circ. cm.	$0.16⅔	M	11-20	12-1
$2.40	Packard Motor	$0.20	M	11-15	11-30
$1½	Pure Oil Co. cm.	$0.37½	Q	11-10	12-1
..	Pure Oil Co. cm.	$0.12½	Ext	11-10	12-1
$4	Rep. Ir. & Steel cm.	$1.00	Q	11-15	12-1
$2	Skelly Oil	$0.50	Q	11-15	12-15
$5	Union Tank Car cm.	$1.25	Q	11-10	12-1
$8	United Drug cm.	$2.00	Q	11-15	12-1
$4	Woolworth, F. W.	$1.00	Q	11-10	12-1
..	Woolworth, F. W.	$1.00	Ext	11-10	12-5

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Dividends

Reid Ice Cream Corporation

The regular quarterly dividend of $1.75 per share upon the Preferred Stock of the Reid Ice Cream Corporation, issued and outstanding, has been declared payable December 1, 1926 to stockholders of record at the close of business November 20, 1926. Dividend checks will be forwarded by the Chemical National Bank of New York.

The regular quarterly dividend of 75c per share upon the Common Stock of the Reid Ice Cream Corporation, issued and outstanding, has been declared payable January 3, 1927 to stockholders of record at the close of business December 20, 1926. Dividend checks will be forwarded by the Chemical National Bank of New York.

WILLIAM J. WELLER,
Treasurer.

The Borden Company

Common Stock Dividend No. 67

The regular quarterly dividend of $1.00 per share and an extra dividend of 25c per share have been declared on the outstanding common stock of this Company, payable December 1, 1926, to stockholders of record at the close of business November 15, 1926. Books do not close. Checks will be mailed.

WILLIAM P. MARSH,
Treasurer.

INTERNATIONAL PAPER COMPANY

New York, September 29, 1926.

The Board of Directors have declared a quarterly dividend of Fifty Cents (.50) a share on the Common Stock of this Company, payable November 15th, 1926, to common stockholders of record at the close of business November 1, 1926.

Checks will be mailed. Transfer books will not close.

OWEN SHEPHERD, Treasurer.

MARTIN-PARRY CORPORATION

New York, October 28th, 1926.

The Board of Directors of the Martin-Parry Corporation has this day declared a dividend of Fifty (50c) Cents a share on the capital stock of the corporation, payable December 1st, 1926, to stockholders of record November 15th, 1926. The transfer books will not close.

F. M. SMALL, President.

CHILE COPPER COMPANY

The Directors have this day declared a distribution of 62½ cents per share on the Capital stock of the Company, payable December 27, 1926 to stockholders of record at the close of business December 1, 1926.

C. W. WELCH, Secretary.

New York, October 26, 1926.

Business Opportunities

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Charters

DELAWARE incorporator; charters; fees small; forms. Chas. C. Guyer, 901 Orange St., Wilmington, Del.

Dividends

Stewart-Warner Speedometer Corporation

Chicago, U. S. A., Oct. 20, 1926.

DIVIDEND NOTICE

At a meeting of the Board of Directors of the Stewart-Warner Speedometer Corporation held October 20, 1926, the regular quarterly dividend of $1.50 per share was declared payable on November 15, 1926 to stockholders of record on October 30th, 1926.

The stock transfer books will not be closed for dividend purposes.

W. J. ZUCKER, Secretary.

Independent Oil and Gas Company

Tulsa, Okla., October 25, 1926.
Dividend No. 17

Notice is hereby given that the Directors of this Company, at the regular quarterly meeting held October 25, 1926, declared a cash dividend for the fourth quarter of 1926 of 25c per share, payable January 17, 1927 to stockholders of record at the close of business December 30, 1926.

R. M. RIGGINS, Secretary, Treasurer.

THE PURE OIL COMPANY

Columbus, Ohio

A dividend of 1½% in cash (37½ cents per share), and also an extra dividend of one-half of one per cent in cash (12½ cents per share), has been declared on the common stock of this company, payable December 1, 1926, to stockholders of record at the close of business November 10, 1926.

RAWLEIGH WARNER, Treasurer.

REPUBLIC IRON & STEEL COMPANY

COMMON DIVIDEND NO. 20

At a meeting of the Board of Directors of the Republic Iron & Steel Company, a dividend of 1% on the Common Stock was declared payable December 1, 1926 to Stockholders of record November 15, 1926.

RICHARD JONES, Jr., Secretary.

International Combustion Engineering Corporation

Dividend No. 24

A dividend of fifty cents per share has been declared on the capital stock of this Corporation payable November 30th, 1926, to stockholders of record at the close of business on November 19th, 1926.

George H. Hansel, Treasurer

New York, October 29, 1926.

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Dividends

International Petroleum Company, Limited

Notice of Dividend No. 12

NOTICE is hereby given that a dividend of 25c. United States Currency per share has been declared, and that the same will be payable on or after the 15th day of November, 1926, in respect to the shares specified in any Bearer Share Warrants of the Company upon presentation and delivery of coupons No. 12 at the following banks:

The Royal Bank of Canada,
60 Church Street, Toronto 2, Canada.

The Farmers' Loan and Trust Company,
22 William Street, New York, N. Y.

The Farmers' Loan and Trust Company,
15 Cockspur Street, London, S. W. 1, England.

OR

The Offices of the International Petroleum Company, Limited,
56 Church Street, Toronto 2, Canada.

The payment to shareholders of record at the close of business on the 6th day of November, 1926, and whose shares are represented by registered Certificates will be made by cheque, mailed from the offices of the Company on the 13th day of November, 1926.

The transfer books will be closed from the 8th day of November to the 15th day of November, 1926, inclusive, and no Bearer Share Warrants will be "split" during that period.

By Order of the Board.
J. R. CLARKE, Secretary
56 Church Street, Toronto 2, Canada,
25th October, 1926.

United States Hoff-Man Machinery CORPORATION

Notice is hereby given that the Board of Directors declared this day a regular quarterly dividend of $.75 per share and an extra $.25 per share on the outstanding common stock, payable December 1, 1926, to holders of record at the close of business November 20, 1926. Transfer books will not be closed.

M. J. WHITE, Treasurer.

October 27, 1926.

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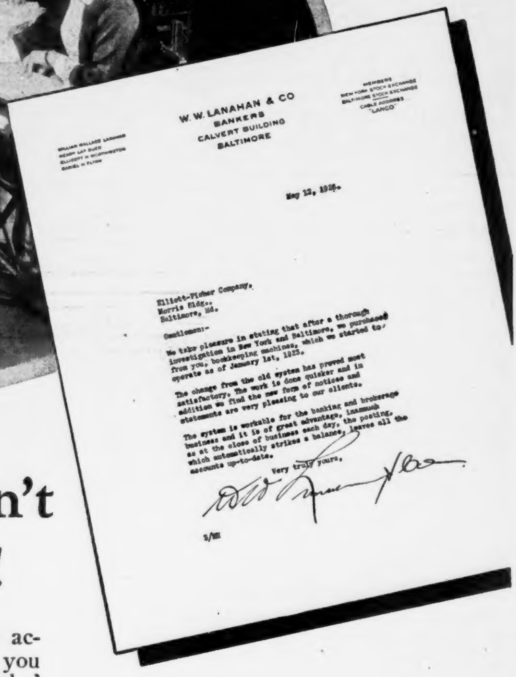

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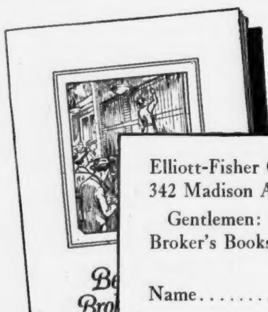

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